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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

STEEP ROCK CASE STUDY
INTERIM REPORT

TUESDAY, NOVEMBER 25, 1980



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)
VICE-CHAIRMAN: O'Neil, H. (Quinte L)
Cooke, D. (Windsor-Riverside NDP)
Cureatz, S. (Durham East PC)
Mackenzie, R. (Hamilton East NDP)
Mancini, R. (Essex South L)
Ramsay, R.H. (Sault Ste. Marie PC)
Taylor, G. (Simcoe Centre PC)
Turner, J. (Peterborough PC)
Van Horne, R. (London North L)
Williams, J. (Oriole PC)

Substitution:

Martel, E. W. (Sudbury East NDP) for Mr. Cooke

Also taking part:

Johnston, R. F. (Scarborough West NDP)
Reid, T. P. (Rainy River L)

Clerk: White, G.

Assistant to the Clerk: Eichmanis, J.

Researchers:

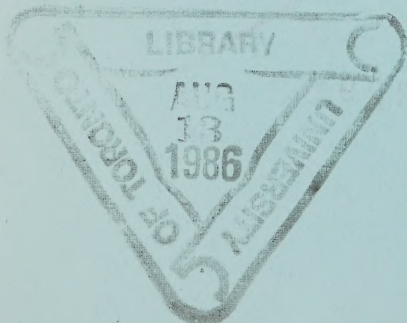
Fletcher, M.
Jennings, R.F.

From Steep Rock Mines:

Jackson, H. E., Manager, Employee Relations
Lamb, L., President and Chief Executive Officer
Zucchiatti, L., Vice-President Finance and Secretary

From the Ministry of Labour:

Armstrong, T. E., Deputy Minister
Burak, R., Director, Women Crown Employees Office
Hess, P. A., Director, Legal Services Branch
Joyce, R., Special Adviser to the Minister of Labour
Scott, J., Director, Employment Standards Branch



LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

TUESDAY, NOVEMBER 25, 1980

The committee met at 3:53 p.m. in room 151.

STEEP ROCK MINES CASE STUDY

Mr. Chairman: In the interest of time being a constant problem, I thought it best that we do begin.

Last night at six o'clock there was a brief discussion following a question raised by Mr. Johnston (Scarborough West) earlier yesterday afternoon, having to do with requesting the Minister of Industry and Tourism's presence here this evening. The Minister of Industry and Tourism is not in town; he is in Ottawa. I did speak with him mid-morning. In that he is obviously aware of the nature of the query--Mr. Johnston, Mr. Renwick and others had some interest in this--he has suggested that Mr. Wilson, the Deputy Minister of Industry and Tourism, would be available to the committee tonight. I have not contacted him. I wanted to get some direction from the committee on that.

I guess, Mr. Renwick, I will direct this to you first, if I may. If that is agreeable, Graham or I will contact the deputy now.

Mr. Renwick: Sure, that would be, Mr. Chairman. I would like to have an opportunity to have a word with my colleague, Richard Johnston, because it's the SKF matter and I'm not quite certain how directly his concern was related to the actual questions given by the minister in the House at the time he raised it. But it may well be that would be satisfactory. I know he is available and at some point perhaps I could have the page find him in his office and ask him if he would come up and have a word with us.

Mr. Chairman: Subject then to hearing from Mr. Johnston, would the rest of the committee be in agreement that the invitation be extended to Mr. Wilson, the deputy minister, to be here this evening?

Agreed.

Mr. Chairman: As long as we can get the call out to him within the next 30 minutes.

Mr. Ramsay: On a point of order: What is our schedule for the rest of the day?

Mr. Chairman: We, of course, have the people from Steep Rock from now through until six o'clock. The understanding was that we would be complete at that stage of the game, meaning at eight o'clock when we reconvened, from eight until 10:30, we

would proceed with Mr. Joyce from the Ministry of Labour, Mr. Scott from the Ministry of Labour and, if it is the committee's wish, Mr. Wilson, the Deputy Minister of Industry and Tourism.

Mr. Ramsay: Continuing on the same point of order, I suggested unsuccessfully that perhaps, when we know we only have so many minutes left, we can allocate those minutes equally among the three parties. That has not seemed to work.

I have another suggestion I would like to put forward for what it might be worth, and that is simply that when you make up a list of those wishing to speak you make up three lists and you take someone first from the Liberals, then from the New Democrats, then from the Conservatives, and then start back again around. That at least might give everybody an opportunity.

Yesterday, for example, we had two members, and I take nothing away from them--both Mr. Mancini and Mr. Johnston I thought did an admirable job in questioning the witnesses, and I found their questions very interesting and the responses equally so--but there just wasn't an opportunity for too many of the rest of us to participate unless we got involved with supplementaries. The previous idea of allocating the time obviously didn't get much reaction, so perhaps that suggestion that we can alternate--some of us may take longer, some of us may take a shorter period of time, but at least it would give each party an opportunity, if he or she so wished, to participate.

Mr. Mackenzie: I have no real argument with the member, but I would like to point out that I went up fairly late in the game to ask--I think it was Mr. O'Neil who was in the chair--to add my name to the list, and the next three names were all our members. There was nobody else's name on it, including any Tory member here, so it is not always because they don't try to get on the list.

Mr. Ramsay: Oh, no, I am not talking about that. My name was on the list, Mr. Mackenzie, and I am not complaining because I didn't get to speak, but--

Mr. Mackenzie: After mine. At that point it wasn't. It was fairly well on, and there was no Tory's name on the list.

Mr. Ramsay: You are correct. I am not talking necessarily just about yesterday. I am talking about our whole procedures to date.

Mr. Chairman: I would be happy to run three lists.

Mr. Maftel: The problem is more severe than that, Mr. Chairman. What is happening is that we are scheduling so tightly that we are not going to have time for all to question the various witnesses before us. It seems to me that we had better be a little more careful in timetabling because it is quite obvious that we cannot question extensively after witnesses make a presentation in a short two-hour period. It is totally impossible to elicit all the information we want in a short period of time.

I would suggest we had better be a little more selective in determining our agenda.

Mr. Chairman: All these points that speak to the use of time in a committee are always well made and are always listened to. The fact of the matter is--Mr. Martel, I direct this in particular to you--that when we did talk about the lineup of witnesses between now and the time of the tabling of our interim report, given the fact that we had agreed to continue on a case study basis, it did make some collective sense that we would hear from as many different types of companies as we could under the circumstances. Nobody is justifying anything to anybody, Elie; I am just trying to explain a problem we share together here.

Your frustration was understood yesterday when there were a host of questions and you and Mr. Renwick and Mr. Mackenzie and Mr. Ramsay were on the list wanting to elicit more information from the people from SKF.

4 p.m.

We have Steep Rock on tap today for very specific reasons, because they fit, and that is true with Outboard Marine tomorrow, and that is true with the Steep Rock union. That is the problem. Given the fact that we have an objective to get an interim report in, to get as many case studies before us in the tight period available to us as we can, it is a shared problem. I have been through the mill on a number of times on these things and I have found no easy answer. I do run a list and identify beside each person's name the particular caucus he or she is a part of. I am happy to run three separate lists but ultimately the judgements have to be made by the individual members of the committee.

I personally feel fairly strongly that it's an abuse--and I am a relatively new guy around here--of the party system if you just allocate time on a caucus basis. I have got my caucus forum Tuesdays. I have got the assembly where the caucus procedures are relatively well-defined and a committee, it seems to me, is one of the important opportunities for a private member, notwithstanding his or her caucus, to partake in questioning and cross-examining of witnesses. So the caucus allocation of time, in my judgement, is only a partial solution. I don't think we are going to find an easy answer. For three and a half years it has eluded me. The best answer is going to be found by intelligently judging our own line of questions and keeping an eye on the clock, remembering the witnesses who have made themselves available to us.

As to the matter, Richard, of the Deputy Minister of Industry and Tourism being invited, is it your wish that we proceed with that? Larry Grossman is in Ottawa today and tonight.

Mr. R. F. Johnston: I would prefer not. If I can't talk to the minister on this one, I don't want to talk to the deputy. It is not the deputy who spoke to me, and we discussed the reasons I wanted to talk to the minister so I will leave that. There's no opportunity and I don't want to interfere any further with the

committee's time. I prefer to have the minister. If we can't, then I don't think the deputy can answer for the minister in terms of the way the minister has answered me and given the information or alluded to the way he has handled things. So I prefer to let that go and hope that some time or other on another occasion--if the SKF people come back, that time would be more important in overall terms of this committee than me going after the minister through his deputy at this point.

Mr. Chairman: Fair enough. One last matter before I call our witnesses--and it's already four o'clock--there was just at 10:30 last night a suggestion by Mr. Mancini--I don't even know if it got on the record--but it was a sound suggestion, that the committee meet for breakfast tomorrow morning, not the subcommittee of this committee but the committee. I think there were several things Mr. Mancini wished to accomplish, not necessarily in this order, but one of them clearly was to get a better handle for all of us on what our January and February schedule would look like. I have talked to some other members of the committee since 10:30 last night. Everybody has a time problem, be it tomorrow morning for breakfast or next Monday night for dinner. Could we try this? Could we try to find one hour, maybe even less would do it, where this committee could meet in camera to discuss those and other internal housekeeping type matters? This is not the time obviously with witnesses--

Mr. O'Neil: What about the first of the week, Mr. Chairman?

Mr. Chairman: Certainly there's no problem at my end. We would normally begin right after question period on Monday. We are going to have all kinds of committee overlap problems if it's Thursday, I think.

Mr. Martel: Why don't we meet during question period.

Mr. Chairman: During question period?

Mr. Martel: Sure. They will never miss us.

Mr. Chairman: That's true.

Mr. Martel: We won't even tell Bud Gregory.

Mr. Chairman: How many members of the committee could be at a meeting--I hope it would be less than one hour--tomorrow?

Mr. Cureatz: For 2:30 or something?

Mr. Chairman: This Thursday at two o'clock.

Mr. O'Neil: I don't think it should be during question period.

Mr. Renwick: I can't make breakfast. I have to be in court at 9 a.m.

Mr. Chairman: The discussion was whether we might have breakfast starting at 8.30 tomorrow.

Mr. Martel: Let's think about it.

Mr. Chairman: Okay. Let's think about it and remember we have agreed that by Tuesday, a week today, we are going to have to do it for the House leaders anyway, those establishment characters who sit around there and decide our lives in the basement of the building.

Mr. Martel: Somebody has to.

Mr. Chairman: We have to by next Tuesday have a firm understanding of when we are going to meet in January and February. Okay, we will try to find time. Elie, would you please--and don't hesitate, before six o'clock tonight or at any time between 8 and 10.30 tonight--this may be the opportunity. We have got Mr. Joyce coming and Mr. Scott. There may be an opportunity of an hour tonight to speak to these things.

I now call the Steep Rock people forward. On behalf of the committee, I welcome you to our hearings. We are, I think, in week number four and the availability of corporate spokesmen and union spokesmen has helped us immeasurably so far in trying to get at the heart of the problem, so that we can come in with some intelligent recommendations by mid-December. I welcome you and thank you on behalf of the committee for taking the time to appear with us. I believe this may be the first opportunity that you gentlemen have had to speak with a committee of the assembly. Might I just say that we would request only a couple of things, that you identify or introduce yourselves for the record into the microphone and that we are in your hands. If you have a written or formal or opening statement of whatever kind, we are anxious to hear from you and, time permitting, we would like to enter into some questions to further our learning process. So, again, welcome. Mr. Lamb, would you be kind enough perhaps to introduce yourself and your colleagues to the committee.

Mr. Lamb: Mr. Chairman and other members of the committee, ladies and gentlemen, my name is Laurence Lamb and I am the president and chief executive officer of Steep Rock. With me is Louis Zucchiatti, who is a vice-president of finance of Steep Rock and Ed Jackson, who is the employee relations manager of Steep Rock.

Mr. Chairman: Mr. Lamb, please be seated and be as comfortable as you can.

Mr. Lamb: We appreciate very much the opportunity to come before the committee. While I don't think anyone is proud of having to shut down an operation, I think the manner in which the closure at Steep Rock was effected, including the co-operation of all employees whether they be so-called management or other staff employees, went very well. We had excellent co-operation from all levels of government. It was a tough situation to go through but I think we do have a story to tell and our relationship with all our employees was and has been excellent.

We do have a handout. I have a few words that I would like to say to start off the meeting, and we do have annual reports of Steep Rock available for you. We also have a package we will leave with you of individual situations, annual reports for the last five years, the Steep Rock story, other things of that nature that individual members of the committee might like to look at some time in the future at their own leisure.

Mr. Chairman: The material then, Mr. Lamb, if I understand correctly, being handed out now is for perusal at another time? Is that correct?

Mr. Lamb: No. I am going to be referring to this document here, if I can call it a document, dated November 25, 1980, and I will leave with you copies of our annual report and from there we can--Ed will talk a little bit about some of the components going into the shutdown period and then we will be quite willing and anxious to answer any questions you may have regarding our closure.

4:10 p.m.

The first page shows the map, mainly of Canada and Ontario, and shows where Atikokan is as well as Lake St. Joseph where we have property. Another property we have at Bending Lake is 40 miles northwest of Atikokan. That will set our situation 130 miles west of Thunder Bay.

You will excuse me if I read from our presentation. I would be pleased to answer any questions that develop as we go along.

Steep Rock Iron Mines Limited is a publicly owned company that is listed on the Toronto Stock Exchange. Canadian Pacific Enterprises Limited acquired approximately 67 per cent of the outstanding shares of the company in 1976 and currently owns about 77 per cent. The remaining shares are widely held in both Canada and the United States.

Until 1979, Steep Rock produced about 1,350,000 tons of iron oxide pellets per year and employed 600 people. Steep Rock was incorporated in 1939 to continue to explore and develop the iron ore deposits that had been discovered beneath Steep Rock Lake. Steep Rock Lake is four miles north of Atikokan which 130 miles west of Thunder Bay.

The development of the Steep Rock range in the early 1940s has been described in the book Steep Rock--The Men and the Mines, written by Bruce Taylor. I will leave a copy of that book with you. This development, which included the drainage of a large lake and the diversion of a river system, must be considered as one of the major engineering accomplishments of the period.

This development, which included improved town facilities in Atikokan, railroad and electric power extensions, and port facilities in Port Arthur, one of the founding cities of Thunder Bay, cannot be adequately described in this short presentation but must be accepted as being one of the very major impacts in northwestern Ontario and I think all of Canada.

Direct shipping ore was first produced in 1944. Production continued on a direct shipping basis until the mid-1960s with a peak annual production of 3,300,000 tons in 1956. Mining was done by both open pit and underground methods. Underground mining was never completely successful at Steep Rock.

During this period, steelmaking technology changed and there was a requirement to improve both the physical and chemical properties of iron ore. To meet this requirement, Steep Rock constructed a pellet plant and entered into a joint venture agreement with Algoma Steel Corporation in 1965 to continue mining by open pit methods. This phase of the operation was terminated in 1979 when the minable reserves were exhausted. From the beginning of operations in 1944, a total of 48,500,000 tons of ore and pellets were shipped.

During this period, Steep Rock received a significant royalty from Caland Ore Company Limited. Caland mined and pelletized ore from an adjacent property leased from Steep Rock. Caland terminated operations this year, 1980, upon exhaustion of minable reserves. During its productive life, Caland shipped a total of 35,700,000 tonnes of ore and pellets.

Steep Rock has over the years continued to explore and evaluate other iron ore mineral deposits. Major programs were carried out on the Lake St. Joseph deposit in the late 1950s and again in the early 1970s. Unfortunately, these studies did not lead to a production decision mainly because of the remoteness of the area.

In 1976, Steep Rock was able to obtain an option to lease another iron mineral deposit at Bending Lake, 40 air miles northwest of Atikokan. This property contained sufficient iron bearing material to produce over 50 million tons of high grade iron oxide pellets. During 1976 and 1977, intensive studies were carried out by Steep Rock, Algoma Steel and Canadian Pacific Investments to determine the viability of mining and concentrating at the Bending Lake site. The resulting concentrate was to be transported to Atikokan via a new slurry pipeline and pelletized in the Steep Rock plant to produce 2.5 million tons of pellets per year.

The provincial and federal governments were aware of and encouraged Steep Rock in these studies and indicated their co-operation in providing infrastructure as well as additional reasonable assistance to make the project viable. Unfortunately by this time, a large surplus had developed in the North American iron ore capacity and a negative decision was necessary for the Bending Lake project in January 1978.

Coincident with the Bending Lake studies, Steep Rock reviewed the minable reserves situation at both its own and Caland operations. These studies showed that it would be unreasonable to attempt to extend the then announced closure date of 1979. These studies were reviewed by the Ministry of Natural Resources with the same conclusions.

The above has been presented to give you a very brief background of the decision to close the Atikokan operation. While Steep Rock and Caland had made every effort to maintain an excellent operation, it was now time, early in 1978, to plan in effect a realistic and proper closure. Concern for the Steep Rock employees was a very major factor in implementing the closure plans. I would be prepared to discuss the closure in detail but the main points can be listed as follows:

1. Early notice to employees.
2. A negotiated two-year contract with the United Steel Workers, Local 3466, after making the closure announcement.
3. The requirement to maintain safety and production rates and performances. As a matter of record, the mine division employees worked the last 16 months without a single lost-time accident and the metallurgical division produced almost a monthly record for pellet production in August 1979, the last month of operation. I think both those accomplishments are outstanding.
4. The co-operation of all levels of government--municipal, provincial and federal--with the union and the company to ease the impact of closure.
5. The establishment of committees to advise and assist employees.
6. Co-operation with other companies, especially with other Canadian Pacific affiliates, to assist in locating alternative employment.
7. An enthusiastic approach by Atikokan residents in general, but more particularly, by elected and other town leaders to actively search out positive solutions to the problems created by closure.

Steep Rock still holds the option on the Bending Lake property. The company is maintaining the pellet plant and other equipment at Atikokan so we can move forward with the Bending Lake project when the North American iron ore market improves. This improvement is not expected until after 1985. In the meantime, the company has a mineral exploration program in the Atikokan area and is investigating other opportunities in the industrial minerals industry. Our substantial working capital is being maintained to provide the required capital for major iron ore and other projects.

If I may, Mr. Chairman, I would like Ed Jackson to refer to some of the highlights of the program as it related directly to the employees.

Mr. Jackson: As Mr. Lamb mentioned, the announcement not to go ahead with the Bending Lake project was made in January 1978. Prior to that date, in the year before and possibly the year before that, the township of Atikokan had been reviewing the situation there with the conclusion that at some time or other, the mine would be closing.

As a result of that, the Atikokan Industrial Development Committee was formed from a cross section of businesses and government in the area. Its main job was to try and attract industry into Atikokan to replace the jobs lost in mining. I bring this to your attention to head up what I am going to say. They were able to attract two industries to Atikokan: the pressed wood or particle board plant and the hydro coal-fired generating station that is in the process of being constructed now.

Subsequent to the Bending Lake announcement, we entered into negotiations with the United Steel Workers of America in early 1978 for our new collective agreement. I want to refer briefly to some of the major points in that collective agreement. Wages were a major part of it. We also had to negotiate a closure clause, defining what constituted closure and what movement the people would take in the plant. We were going to be shutting down the plant in two stages. The open pit would close down first and the pelletizing plant would close down a year later, so we had to arrange how we were going to move the people from one job to another on the basis of seniority, and what would constitute termination in connection with their severance pay and this type of thing. Severance pay was another thing that was negotiated in this contract. Pensions were also one of the major issues.

4:20 p.m.

The new contract was concluded and commenced May 1, 1978. At the same time, we formed in Atikokan what was termed a Joint Atikokan Manpower Planning Committee. This was also formed to take a look at the effects of the closure on the town of Atikokan. Some of the participants in this committee are the township itself, two local steelworkers unions, the chamber of commerce, Steep Rock Iron Mines, Caland Ore, Pluswood, Dometar, and the Quetico Centre. The Canada Manpower consultant services and the Ministry of Northern Affairs took part in this committee, as did the Ministry of Labour and the Ministry of Community and Social Services. This committee work is still going on. It will be terminated, I understand, about June of 1981. It was extended further to enable it to do some more work in the field of training.

In July 1978 we notified the Ministry of Labour of the impending layoffs and termination of operations. In August 1978, we formed what we call the Steep Rock Manpower Adjustment Committee. The work of this committee was to survey the manpower as to the training requirements. We made a complete survey of all our people and did an inventory of their skills. This listing was sent out to over 90 employers across the country. Meetings were held with Confederation College, Manpower, and the Joint Atikokan Manpower Planning Committee regarding matters of training.

Questionnaires were also distributed to employees to determine what training they would like to have, if it was possible to find training for them. Out of these questionnaires we were able to come up with two training programs in Atikokan

where we could get sufficient numbers to train. One of the training programs was in welding and one was in carpentry. These were put on by the Confederation College under the auspices of Canada Manpower.

I might say the welding course has just concluded with 35 people in it, as has the carpentry course with 25 people. Coming up now again is another course with equal numbers in it.

Steep Rock also had to analyse their pay-roll at this time to determine the people who were going to be laid off as a consequence of the open pit going down and where these people would go because of the seniority provision in the collective agreement. They were to be transferred into the pellet plant complex but we had to find out if they were capable of performing this type of work; and we headed up there to assist them and provide training if they did not.

They also were concerned with the mobility of people who were going to be laid off and the government was approached regarding the mobility grants. At that time a mobility grant was at \$14,000. In other words, if an employee going to another job with a salary in excess of \$14,000, he could not get a mobility grant, so this was subsequently raised to \$20,000.

The companies also conducted interviews with every employee on the property about the severance pay, his unemployment insurance, group insurances and pension plan, mobility grants, vacation pay and how to go about searching for a job--in other words, job search techniques.

This was the work of the Steep Rock committee and Steep Rock themselves during this period. We also arranged to upgrade our mechanics who had to take some specialized training in electrics. This was done and we also put on courses for specialized welder training.

At the same time, meetings were being conducted at the union hall with our employees to acquaint them the various aspects of job search. Arrangements were made with the Unemployment Insurance Commission for a mass registration of employees at that time. They brought in counsellors from various communities to interview our employees as to their training and what type of work they were looking for, et cetera.

We also subscribed to a number of daily newspapers across the country and placed these newspapers in the local library for employees to have a look and for job search arrangements. As a consequence of all this and sending out their resumes to the 90 firms, 35 employers visited Atikokan to interview employees of Steep Rock.

At the same time the Joint Atikokan Manpower and Planning Committee were working and developing a strategy for a long range program, which resulted together with the aid committee in the hiring of industrial development commissioner who worked with the Jampac committee on trying to attract new industry and this type

of thing and on the welding and training courses. The Jampac committee also employed what they called a transition counsellor, to assess the social impact on the town and to try to interview people and find out what their problems were and help them in this regard.

Also a tourist co-ordinator was hired by the chamber of commerce in Atikokan and the Jampac committee were able to arrange what they call an air shuttle service between Atikokan and the UMEX mine, about 200 miles to the north of us to enable some of the people from Atikokan to take advantage of the mining opportunities in that part. That air shuttle service is still on.

Those are some of the brief highlights of what took place during our closure. If there are any further questions on this, we would be prepared to go into more detail.

Mr. Lamb: That is the first part of our presentation.

Mr. Chairman: Thank you very much. There are several members of the committee who do have some questions.

Mr. Jackson, if I may direct a question to you, you mentioned the normal notice provisions and over and above that you made reference to severance pay and some pension changes, both of which were negotiated. I wonder if you could take a minute or two to touch on what kind of severance pay. I do not know how many details you could provide for the committee, but what was negotiated in terms of severance pay and pension provisions? I emphasize that because those are the two matters that are obviously quite relevant to the committee even though we might get into discussing the viability of the mine and so forth.

Mr. T.P. Reid: If there is no problem, Mr. Chairman, could we have a copy of the collective agreement tabled with the committee?

Mr. Chairman: Is that possible?

Mr. Lamb: That is one of the items that we will put in the package. We will provide one copy of the two most recent collective agreements to the committee.

Mr. Chairman: This is really the first opportunity that we have had to question witnesses who had to deal with this. The committee has not had that opportunity before and that would be very useful to us.

Mr. Ramsay: At the same time, while answering your question, could Mr. Jackson also indicate how many employees you had at your peak and how many were laid off and how many were relocated and so on. He did not speak in numbers at all.

Mr. Jackson: Beginning in January 1979, there were 480 employees laid off or terminated. Do you want me to mention that at this time? We have been keeping records--I am trying to update

them all the time, as to where these people have gone and what has happened to them.

4:30 p.m.

I have made a summary of what happened to these people. Out of the 480 people, we have been able to determine that 69 of them have retired; that is, normal retirements or early retirements. There are 167 of our people who have, what you might call, local employment. That is employment in the bush and locally in the town itself with other employers, municipal, construction, working on a casual basis, working at Pluswood, working at the Hydro, working at Domtar--these are other industries in the area--and mining. I refer to local mining being Umex and Mattabi mines which are just north of us. There are 167 of those people in the area working in those fields.

There are 112 of these people who went out west, mostly into the coal mines. Thirty-seven of these people went to various occupations in the east, and 32 took training in Atikokan. Some of them went out of Atikokan to go to college and take training, and others took the welding course and the carpentry course.

We have not been able to determine as yet what the remaining 63 are doing. I would presume these people are drawing unemployment insurance at this stage of the game. But that brings our total to 480. That gives you some idea of the disposition of these people.

Mr. Lamb: I wonder if I could add just one other thing. You talked about having 600 employees to start with and Ed has referred to 480. We still have approximately 20 employees. From the time of making the announcement early in 1978 when we had the 600 employees, normal attrition took us down to that figure of 480 who were actually laid off or terminated at the end of January and February 1979. So we started out with 600, 100 left--normal type of quits--some hastened by expected closure. We retained 20 and 480 were terminated, retired or did other things.

If I could refer back to your original question, Ed, as far as the pensions were concerned, during that final negotiation the hourly-rated pension benefit was negotiated upwards in two stages from \$8 per month per year of service to \$9 in the first year of the new contract to \$10 per month/per year of service in the final year of the new contract.

The severance pay benefit was improved. We continued the one week's pay per year of service for the first 10 years of service and we added a half week's pay per year of service for the next five years. So the maximum severance pay a person could get ended up 12.5 weeks, if he had 15 years of service. So that if a guy was making \$400 a week at Steep Rock, then he went away with 400 times 12.5 or just over \$5,000 in severance pay.

Mr. Chairman: This is my last question. When you were looking in the course of the negotiations, what kinds of

precedents, if any, did you have for those kinds of severance? Just the severance, never mind the pension for the minute. What kinds of precedents did you have, or did it all come out of the negotiating process?

Mr. Lamb: Pretty well all at the negotiating process.

Mr. Chairman: Thank you.

Mr. Renwick, then Mr. Ramsay and Mr. Reid.

Mr. Renwick: Mr. Chairman, because my colleague, Mr. Reid, is here, I would defer, but only to him, if he would like to ask any questions, because he is the member from there. But I would like to remain on the list immediately afterwards.

Mr. T. P. Reid: I will not abuse that kind offer. I have only one question I would like to put at this time. Given the fact that the mine gave substantial notice--and I think it should be indicated to the committee as well that there was some indication, I believe, in 1973 or 1974 that the active life of the mine was going to be, possibly within a very few short years--what did the company do in terms of keeping their employees to the last day of operation? Could you expound to some extent on just exactly when notice was first given and what led up to the actual termination?

Mr. Lamb: As far as the formal notice to employees is concerned, we did that within whatever the legalities were. I guess at one time there were 13 weeks and another 12 depending on the shutdown. It was generally known in early 1978 that the mining operation would be terminated at the end of that year, and that the pellet plant would be terminated near the end of 1979. Those were known facts. Everybody acknowledged them and we talked about them. That formal notice was given as required by law, and Ed has referred to that.

As to the question about what the company did to retain employees, the severance pay plan helped us in that regard in that no one was given severance pay unless they stayed to their normal termination date or some sort of a negotiated period there. If a fellow was in the pit and had seniority rights to go to the plant, for instance--if he chose to terminate at the time the pit terminated--then he got his severance pay and he went. But generally the fact that severance pay was in effect and was not available unless the person stayed until his job was terminated, helped us to maintain employees to the end. So while severance pay was a benefit to the employee, it was obviously a benefit to the company as well.

Mr. T. P. Reid: I am just a little vague on one last point. You talk about two negotiated contracts or two negotiating situations. I presume those were after the announcement by Steep Rock that you were shutting down?

Mr. Lamb: Excuse me, Pat. It was a two-year contract that was negotiated at one time. It was a single negotiation.

Mr. T. P. Reid: That was subsequent to your announcement that you would be shutting down.

Mr. Lamb: That is correct. That is a very significant point too, that we did go into negotiations and it was a normal negotiation. We had a three-year collective agreement which ended in May of 1978 and we negotiated a new agreement at that time. But it was after the announcement that closure would take effect. That is a very important point.

Mr. Renwick: Mr. Chairman, I know Mr. Lamb and his colleagues will bear with me. I am not an expert in the iron mining field, let alone anything else, but I do want to ask some questions and I want to try to keep them focused if I can. The focus I want to try to maintain is your statement, Mr. Lamb, on February 12, 1980, in the president's letter to the shareholders.

"Our policy is to retain and improve the corporation's working capital so that Steep Rock will be able to participate in the development of its iron ore properties at Bending Lake and Lake St. Joseph when it becomes economic for them to be developed."

I notice from your statement that for practical purposes at this time, Steep Rock is a bank really. You have a net of liabilities of about \$54 million or \$55 million for practical purposes in cash at the present time.

Mr. Lamb: Yes.

Mr. Renwick: I want to explore with you three areas, all related to this term "economic." I take it this is at the heart of your decision to stop production for the time being and is why it is on hold until something makes it economic to proceed.

4:40 p.m.

Mr. Lamb: Can I just add one thing?

Mr. Renwick: Yes.

Mr. Lamb: When we talk about economics and a decision to close the operation at Atikokan, when we made that decision in early 1978 it was based on data we had collected up to that time. We did run into a very tough--I think that is the proper word--technological problem in the open pit mining. By the time we reached the end of the operation at the end of 1978 or 1979, we had sufficient problems with the operation that I don't think we would have been able to continue had we not taken the decision on an economic basis prior to that.

If you would look at the picture on our annual report, the whole walled area in the lower right-hand corner, we had a major slide and it came down to the bottom of the pit. While we were able to operate effectively for four or five months beyond that period of time, we had come to the technological limits of our

ability to mine in the Hogarth pit. So I think there are a couple of things there, as well as economics, Mr. Renwick. I am sorry to interrupt.

Mr. Renwick: Perhaps I can come back to that at an appropriate time, as well. Perhaps that is what is referred to: The way the original operation of the mine was carried out, it turned out prematurely to have created immense technological problems. Let me set that particular one aside.

Can you comment on a statement, just to put this problem into context, that I want to try to get at? My colleague, Mr. Germa, on May 8, 1980, raised a question with the Premier about this problem. Mr. Germa is the member for Sudbury and, of course, very much concerned about Inco. He said:

"Mr. Speaker, could I put a question to the Premier? Is the Premier aware that at 1:30 this afternoon Inco Metals Limited announced the closing of its iron ore recovery plant in Sudbury? Is the Premier further aware that at the same time we are closing out iron ore production facilities of Caland Mines, Steep Rock and National Steel and now Inco, 45 per cent of our iron ore needs are being imported from the United States? How long can the Premier sit on his apathy and watch the iron ore production facilities go down the drain?"

Is that within the ball park? Is that actually now true, that 45 per cent of our iron ore needs are being imported from the United States?

Mr. Lamb: With regard to Ontario I am not really sure of that exact percentage, but there certainly is a substantial tonnage coming from Michigan and Minnesota into Ontario. I anticipated that question, and I did look up one figure, and that is the total iron ore that we import from the United States versus the ore that is exported from Canada to the United States. I took it over a five-year period because there have been strikes and ups and downs in both Canada and the United States during that period. A total of 110 million tons of iron ore was exported

in the five-year period from Canada to the United States, and in the same period of time there was 17 million tons of ore imported from the United States into Canada.

Mr. Renwick: Can I have those figures again?

Mr. Lamb: In the five-year period, 1975 through 1979, inclusive, we exported to the United States 110 million tons of iron ore. During that same period of time we imported into Canada 17 million tons.

Mr. Renwick: Is there any way we can get the Ontario figures?

Mr. Lamb: Yes. I am sure I can get those figures, and I would be pleased to send them to the chairman or to yourself.

Mr. Renwick: Somewhere within the area of that 45 per cent that my colleague Mr. Germa spoke about is the problem that I want to try to get at. But let me go on. Your present estimate of what the reserves are at Steep Rock--

Mr. Lamb: The minable reserves at Steep Rock are zero.

Mr. Renwick: Let me give you the series first, and then you can deal with them in a more connected way than a question-and-answer session.

The Steep Rock mine, the Caland mine, on which I understand the lease is now terminated and it is now back in Steep Rock, Bending Lake, Lake St. Joseph, any other reserves that you have in northwestern Ontario. That is the first series of things I want to get at. I know you are going to have to define the terms so that we don't get into an argument about minable reserves as distinct from mineralized resources or whatever the distinctions are.

A separate facet to that question, and because you have a close relationship with Algoma--I think CP owns roughly the same sort of percentages of the two--what is your relationship with Algoma? Where has Algoma been investing its moneys in the United States? To what extent is Algoma importing from the United States? What studies have been done by Algoma, alone or in conjunction with anybody else, about reserves; and what studies have been done by Steep Rock, either alone or with anybody else, about northwestern Ontario?

Then, just so I can come back to a convenient starting point, can you assure the committee that the \$55 million in cash that you have in the bank for practical purposes, together with any investment income that you are going to earn from that, will be used by Steep Rock solely within the northwestern Ontario area?

Is that a reasonable way to go about what I am trying to get at? I am focussing upon what made it in your judgement something called economic to close down. I recognize the point you made about the technological problem that is involved with what is now I guess the old Steep Rock mine.

Mr. Lamb: I have made a couple of quick notes and tried to get your questions in the order in which you have presented them.

In order to make an iron ore project viable there has to be two things--there has to be ore in the ground and you have to be able to sell that ore. I guess if you can't sell it, it is not really ore. The very large amount of capital required to put a project in place requires that you have long-term commitments and firm commitments to sell that ore.

In order for us, as an example, to go ahead with Bending Lake, which we estimate is going to cost in the order of \$225

We met in the mayor's office and the minister's office to try to deal with that problem. There was nobody more outspoken about their deep concern for the working men who were going to be displaced there than the company. It was quite unbelievable how concerned they were and they worked out some arrangements, but the price seemed to be something they assumed they had the right to impose on that work force. It just seemed to be part and parcel of their outlook on the world that they could make a decision, presumably out in Vancouver someplace, and cause this kind of hardship to people. Their sole job and their only responsibility was to try and alleviate the slide-out. Do you have trouble with that view of the world? I have immense trouble with it.

9:10 p.m.

Mr. Joyce: I would have trouble with it if that was the starting point and that was the end point, but I am not certain that was the case. I am not here to defend MacMillan Bloedel.

Mr. Renwick: I don't think there is any doubt that if I produced the documents from over the period of time, because I think the plant is to be closed at the end of this month, that is the end of the transition period, that the prevailing mores of our time will say they did a good job.

Mr. Joyce: Of closing.

Mr. Renwick: Yes. There is no doubt. I happen to think they did a lousy job and I am still trying to figure out why I think they did a lousy job. Some of my colleagues think they did a lousy job. Some of us think they did not have any right to do it and there was something seriously wrong. It is not straining to say it is like the case of the first person who is hit by an automobile. Somebody presumably had to say you cannot do that with an automobile to somebody without paying some price.

I do not understand it because frankly our committee can either be engaged in making some minor adjustments to the end of the road or we can turn or begin to turn the philosophy of the province around on the question. I feel strongly about this because I have heard the ministers of this government stand up and say we have the best notice provisions in the world. Those are the Dunlop provisions. They came in after Dunlop and because of Dunlop and they did not help the Dunlop people one single iota just as all the things this committee is going to recommend and the government is going to do are not going to protect any of the people who have been before us.

We have case after case, if we went into them, of the people at Armstrong Cork, the people at SKF and the people at Steep Rock who have been hurt by corporate decisions in which they have no participation. Nobody gives a damn, Mr. Joyce.

Mr. Joyce: Mr. Renwick, I have trouble in two areas, in plant closings and in the decision making process and I know I am going to have some continuing difficulty with it. The two

was in the early 1970s, and that was a decision based on their decision that was the most reasonable and best place for them to get ore.

Mr. Renwick: Do I take it then that Algoma has a long-term contract with Tilden?

Mr. Lamb: Again, I am not speaking for Algoma because I do not know the exact facts. My understanding is they have that ownership in the Tilden project which requires them to take pellets in extent of their ownership.

Mr. Renwick: So the setup of the company was based on an obligation to take the same percentage as though you owned the company.

Mr. Lamb: As your ownership, that is right. That is the Algoma situation in Tilden.

Mr. Renwick: How long will that go on?

Mr. Lamb: Again, that is not to my knowledge, but I would guess in the 20 to 30 year range.

Mr. Renwick: It will be 20 to 30 years that Algoma will be taking from Tilden. I appreciate you are not answerable for Algoma and it is not your job to be totally informed of what Algoma does. I realize that. Where else has Algoma got long-term contracts?

Mr. Lamb: I think that question is probably better answered by people from Algoma, but my understanding is it is at Tilden and Wawa where they get their major supplies of ore and that is all.

Mr. Renwick: Those are the two sources?

Mr. T. P. Reid: Wawa is in northwestern Ontario.

Mr. Renwick: Yes, I think I know that.

Mr. Lamb: I think they have other relatively small commitments that were put in place at times in 1974-75 when pellets were tough to get. I know that at times they have taken pellets from Inco through an agreement with Hanna and that sort of thing. But again, I do not want to talk for Algoma.

Mr. Renwick: Who does Steep Rock deal with? Who are their customers?

Mr. Lamb: Steep Rock's operation at Atikokan in the pelletizing situation was a joint venture with Algoma.

Mr. Renwick: Where did the whole of the production go?

Mr. Lamb: Up until 1976, we produced up to 250,000 tons a year for Detroit Steel at Portsmouth, Ohio. The rest of it went to Algoma. From 1975 or 1976 on, all our tonnage went to Algoma.

Mr. Mackenzie: That was relatively small to Detroit Steel was it not?

Mr. Lamb: It was about 20 per cent of our total capacity.

Mr. Renwick: Could I come back to the Steep Rock mine, the reserves, the ore body, the mineralized resource, whatever the appropriate term is? What is the extent of that? To what extent have you examined it? What studies have been made at the time where, in the judgement of Steep Rock, it becomes something called economic? How much is there to be mined?

Mr. Lamb: As I outlined in my earlier presentation, Steep Rock got started in 1944. It was based on a direct shipping operation. In other words, the ore that was shipped from the property was in its natural state. It was not changed chemically, and it was not altered other than the finds might have been screened off and you had lump ore.

We got into the pelletizing business because that is what the steel companies were requiring in the mid-1960s. It was at that time the joint venture agreement with Algoma was put in place.

I guess as early as the early 1970s we recognized the ore reserve was not as great at Steep Rock as had been anticipated, and that we may have to face a closure late in that decade. In fact, that is exactly what did happen. The studies we have, and again they were based on economics rather than total technology as far as open pit mining is concerned, is there is no ore left at Steep Rock that can be mined economically.

Mr. Renwick: There is no ore left at Steep Rock that can be mined economically?

Mr. Lamb: That is correct.

Mr. Renwick: You will have to excuse me. As usual, in this three-ring circus, I have to go elsewhere but I will return. My colleagues will be quite able to handle the rest of my questions.

Mr. Chairman: Mr. Reid also has another commitment. Pat, in the few minutes you might have, do you wish to carry on with the questioning?

Mr. Renwick: Would it be possible to let Mr. Martel continue to get what I started, or must we drop what I wanted.

Mr. Chairman: I do not think we need to drop it at all. I know Mr. Reid, like you Jim, has another commitment.

Mr. T. P. Reid: I gather we will not be back on this.

Mr. Chairman: That is not necessarily correct.

Mr. Ramsay: Mr. Chairman, I am next on the list but I am prepared to pass that to Mr. Martel then follow Mr. Martel if he wants to continue or finish up for Mr. Renwick.

Mr. Chairman: Can I come back to the point? It is an important point that Pat Reid asked. Is it the understanding of the committee--it is now five o'clock so we had better speak to this right now--that we will not be able to utilize our witnesses at eight o'clock tonight?

Mr. T. P. Reid: What is the other item of business?

Mr. Chairman: At eight o'clock tonight we have Mr. Joyce and Mr. Scott from the Ministry of Labour who asked to be present. In the case of Mr. Scott, it is the second time he has been invited back. We were not able to use his time on his first effort.

Mr. O'Neil: How much farther are we going, Mr. Chairman?

Mr. Chairman: I am in the hands of the committee as to how much time you collectively think we will reasonably need.

5 p.m.

Mr. T. P. Reid: Could I make a suggestion? I know the problem of calling people back continuously. I presume we followed this before if there are any questions outstanding.

I am sure Mr. Lamb and Mr. Jackson and Mr. Zucchiatti could reply by letter to any questions that are outstanding. Mr. Lamb has already indicated that he would reply to one question put by someone else.

Mr. Chairman: That seems very reasonable. Is it the general wish of the committee then that we utilize the next hour with our witnesses? Mr. Martel?

Mr. Martel: Are these gentlemen located in Toronto or--?

Mr. Lamb: I am, Louis and myself are; Mr. Jackson is not.

Mr. Martel: I am not sure we are going to get it done at the end of an hour. We can either call these people back or tell our other witnesses not to come forward this evening. We should make that choice. It is probably more convenient for these people to stay and we could reschedule the other people from the ministry. I am flexible on it.

Mr. O'Neil: Why don't we continue and see how we make out anyway?

Mr. Chairman: The only thing is, it is important to try and resolve this now. I know it seems peculiar; here we are utilizing precious minutes to decide what the hell to do with the next 60 minutes, but the problem is going to be a lot more severe if, at five to six, the committee then collectively feels that we could

utilize Mr. Lamb and his colleagues' time from eight until 10:30 p.m., because at five to six it will not be possible for us as easily to reach Mr. Joyce and Mr. Scott. It is as simple as that and I am asking again for your decision on the matter now. It is as simple as that.

Mr. T. P. Reid: Mr. Chairman, these gentlemen said they would come back at a later date.

Mr. Ramsay: Mr. Chairman, may I speak to that point? Much of what I was hoping to find out has been coming out with the questions Mr. Renwick has been asking and I am sure it will come out with Mr. Martel. One of the questions I had I was able to get through a supplementary. I am not concerned, therefore, about having the opportunity to question these people at any length, but Mr. Martel feels he can do it in the next hour and Mr. O'Neil feels they can accommodate themselves. I would like to think we could get through this by 6 o'clock. I am prepared to step aside if that will indeed create that situation.

Mr. Martel: I can't guarantee it, Mr. Chairman, but my hope is we will--

Mr. Turner: Extend yourself.

Mr. Martel: Please feel free to jump in. I have been known to do it occasionally myself. Only occasionally, John.

Mr. Chairman: Sorry for that interlude. Carry on, Mr. Martel.

Mr. Martel: To pick up where Mr. Renwick left off: Some of us visited Caland about a year ago and I think what my colleague was starting to move to was--and you alluded to part of your own problem when you described the difficulty of mining at Atikokan--my understanding, having been there, is that Caland had a property adjoining part of yours and they had a lease. Part of the problem with the mining, whether it was profitable or not, was the difficulty in taking off the overburden which is quite gigantic, I guess, because you had rock slides and it was getting to a point that to take off the overburden and then mine the rest was what was making it uneconomical, is that right?

Mr. Lamb: I think the overall extent of the mining problem which includes vast amounts of overburden, which is normally referred to as unconsolidated material, plus rock stripping, which was mainly in the hanging wall and in the foot wall, rendered those properties uneconomic.

Mr. Martel: Might I ask the question then: Between these two mines, which aren't that far apart, if one operation were to take off the overburden, would that be convenient or financially viable?

Mr. Lamb: No. Well there is practically--

Mr. Martel: The ore body is there, I presume, but down.

Mr. Lamb: Again, the proximity of one deposit to the next one certainly precludes them from operating as a single unit, so that the stripping could not be done at one that would help with the other.

Mr. Martel: It is too far apart?

Mr. Lamb: Yes, right.

Mr. Martel: Let me ask you: We were in New York a number of years ago on another select committee and we discussed with Anaconda its reserves in northwestern Ontario. Anaconda indicated to us that they were prepared to proceed, provided they could be guaranteed an annual 13 per cent return from the time they first got involved. In other words, they had been there a number of years and they were prepared, providing that when they did the calculation it would show a 13 per cent return annually. What type of financial return did Steep Rock feel it had to have in order to mine?

Mr. Lamb: During that period of deciding whether we could extend the operation or not, we would have gone for a break-even situation, in that we were there, the capital was in place, the buildings were there and we wanted to stay there and we had employees there. I was an employee and I enjoyed working and living in Atikokan, as did the two gentlemen on either side of me who had been living and working there since 1945.

To bring a new property into production, I would think you would look at anywhere between a 10 and a 15 per cent return on investment.

Mr. Martel: How much?

Mr. Lamb: Ten and 15 per cent.

Mr. Martel: That is what you anticipated, but you would have settled for breakeven?

Mr. Lamb: On an extension of our current operation, or our then current operation, for sure.

Mr. Martel: But to go back in, in any event you would want 10 to 15?

Mr. Lamb: Yes.

Mr. Martel: I want to come back to the reserves because my colleague was leading into that. I want to just digress for a moment if I might. How would the devaluation of the Canadian dollar affect the purchase of ore from the United States?

Mr. Lamb: Depending again on the contract a person entered into, and most of these are 20 year deals. They are long-term contracts that a person enters into. In our case, the devaluation of the Canadian dollar stating in 1972-73, something like that, which then became pretty significant in 1975, 1976 and 1977, was very much in our favour, even to Algoma, because up until that

time, and even today, the great majority of iron ore, as I understand it, is sold on the basis of the quoted lower Lake Erie price, which is a US price. Our agreement with Algoma, even although it was one Canadian company working with another Canadian company, the price of our ore to them was in US dollars.

Mr. Martel: Was in US dollars?

Mr. Lamb: That is right. I would just like to go back a little bit to the things that happened over a period of time. The contract with Algoma and Steep Rock was signed in 1965 for production in 1967. At that time, the Canadian dollar was pegged at 92 and a half cents. It started to float from then during that period of time, so that by 1971 or '72, when it got up to \$1.03 or \$1.04 and our Canadian dollar was worth more than theirs, there was almost 15 per cent of what we thought was going to be profit to Steep Rock going out in exchange.

If you look at our reports for 1971-72, we were not making very many bucks. That situation changed and as it ended up, we were getting a tremendous benefit from the fact that the Canadian dollar was less than the US dollar.

Mr. Martel: I can't see the advantage to purchasing offshore to people like Algoma Steel or Dofasco or Stelco. What is the advantage of paying with the dollar now at 84 cents?

Mr. Lamb: Other than a captive operation, if they were buying from a Canadian company, they would be paying in US dollars the same way as they would going offshore.

5:10 p.m.

Mr. Martel: I guess I am mystified as to what would prompt that sort of arrangement to pay it in American dollars, two Canadian operations in Canada.

Mr. Lamb: You have to have something to relate a price to in the future when you have to go out 20 years. You have to tie it to something and the quoted price that has been chosen is that price that is now quoted as lower Lake Erie price.

Mr. Martel: So those of us who believe that it would be to our advantage to open up a Canadian operation really it isn't there because it is paid in American dollars then? In other words, to open up Bending Lake, we looked at it as an advantage because of the dollar and in fact it isn't because this arrangement is that it is all payable even between Canadian firms at American dollars?

Mr. Lamb: If that was the case, in negotiating a contract with Bending Lake, then that would be the case.

Mr. O'Neil: Can I ask a supplementary?

Mr. Martel: Yes.

Mr. O'Neil: How did this come about, this lower Lake Erie agreements? Who were these set up by? Was this between companies or was it government suggestions or--

Mr. Lamb: No. For a long period of time the major part of the iron ore that's been produced in the Lake Superior district has been produced in Minnesota and in Michigan by four or five large companies and over the period of time one of them has announced a price and generally somebody would agree with it or come in slightly lower or slightly above, but during the period of time the lower lakes price became established and that usually stood in place for a year.

Mr. O'Neil: But the price just stood for one year?

Mr. Lamb: That is right.

Mr. O'Neil: And how would it be renegotiated?

Mr. Lamb: Again, it would be one of the major merchants in the States setting that price related to their own costs and other people following or changing it slightly and other people falling in line.

Mr. O'Neil: And is it just sort of a custom, as Mr. Martel asked, that it has been in American dollars? Has this always been the case?

Mr. Lamb: Yes.

Mr. Martel: What I was leading to was to try and find out how it's economic to import both coal and iron ore into Canada with the devaluation of the dollar. I guess that partially answers my question. Does the same apply with coal?

Mr. Lamb: I cannot answer that.

Mr. Martel: I have had difficulty understanding how you could make a profit, a steel company could make a profit if we are, in Ontario, this year importing nine million short tons out of the 15 million that we are going to utilize in the province and with devaluation, it just seemed to me that--but I understand why it would not be to our advantage in the sense nothing is making it to our advantage because of the devaluation, although in the rest of our resources, the devaluation of the dollar seems to work to our advantage to exporting more.

Mr. Lamb: I guess in this case that is one thing that does not fluctuate with the change in the dollar, so that it remains constant no matter how that dollar changes.

Mr. Martel: We are told by United Steelworkers that there were bad mining procedures used and that is why you have got into the bind with respect to the inclines that leave so much overburden and cause rock slides. We met with some of their research people and they indicated that there were some bad mining practices.

Mr. Lamb: How do I react to that?

Mr. Martel: Yes.

Mr. Lamb: Negatively as hell.

Mr. Martel: They maintain that in fact there was too much of an incline and that's what is creating the slide out of the ship that leads to--

Mr. Lamb: I guess in retrospect people will tell you that in an open pit operation, if you mine and get all of the ore at the bottom of the pit and remove all of the waste at a reasonable angle, then a year after you have left, if you have a major flow of material down into the pit, then you have probably designed a neck to the economic greatest advantage. Is that clear or should I try to reiterate that?

Mr. Martel: Run that by me again.

Mr. Lamb: Okay. If you can say that the ore body is going like this, this wedge of material is waste and has to be removed. Okay? Then that slope that you create to get to the ore at the bottom, you remove all of the ore and some time later this slope fails--everybody has gone home by that time--then you have chosen the exact right angle to mine it. You have not removed any more. You have not removed any less than you had to mine to get there in other words. That is kind of a theoretical situation. The failure that we had at Steep Rock, we had mined at 42-1/2 degrees in several areas and had proved to be stable, at the depth that we were getting to and we were getting to greater depth--we were going into new ground--in that particular area 42-1/2 degrees was not strong enough. It was not flat enough and in my own mind, I am not too sure that anything would be flat enough but anyway that was not flat enough and we had that failure near the end of our operation and we were able to go in and mine around that area and extract some of the ore but not all of the ore that we had planned to extract from that area.

While the mining conditions under which we worked were not ideal, I think everybody recognized the hazards that did exist and pretty generally we had good co-operation with all of our workers and pretty generally with the union. There was concern on their part for sure as to the safety. There was concern on the individual's part but pretty generally I think we had excellent co-operation to very trying times in the last part of that ore body, and the fact that we worked the last 16 months without a lost-time accident in that open pit speaks tremendously for every single guy that worked there and the gal that worked there as well.

Mr. Martel: Let me move on then from Atikokan to Bending Lake. The reserves are pretty substantial. The distance is some 40 miles, I guess.

Mr. Lamb: Forty miles by air. The pipeline and the road link would be something in the order of 53 or 54 miles.

Mr. Martel: What would it have cost to open up Bending Lake?

Mr. Lamb: In dollars of 1977, it would have cost \$225 million.

Mr. Martel: In 1977 dollars?

Mr. Lamb: Right, plus some infrastructure that would be put in place by government, such as the road between Atikokan and then on to Dryden and things like that that had been indicated would be supplied by government.

Mr. Martel: They were prepared, as I understand it, at one time to consider the possibility of a pipeline .

Mr. Lamb: Yes.

Mr. Martel: Did that fall through because of the government's failure to make a direct commitment or because the market went soft?

Mr. Lamb: The market went soft, the latter.

Mr. Martel: That would have been how long? You would have had life expectancy there for approximately how long?

Mr. Lamb: We looked at that reserve as something over 50 million tons which would mine at 2-1/2 million tons a year, so you are talking 20 years.

Mr. Martel: And Lake St. Joseph, which is considerably farther north, which would relieve the pressure at Atikokan that's there now; how big a deposit is that?

Mr. Lamb: It's a substantially larger deposit and probably of the order of 200 million tons.

Mr. Martel: You are talking a lot of years.

Mr. Lamb: Yes, depending again on your capacity. It may not be reasonable--and I say may because these studies have not been done in the last four or five years--it may not be able to bring that ore body into production at less than eight million tons a year.

Mr. Martel: Just to offset the cost.

Mr. Lamb: Right.

5:20 p.m.

Mr. Martel: Even eight million tons is still 25 years.

Mr. Lamb: Right.

Mr. Martel: Did you look into the cost of opening that up?

Mr. Lamb: The study we did in 1974, and I was looking at those figures today, we had estimated, and again we were going to get into a certain extent to metallizing, direct reduction as well as straight pelletizing, but with the anticipation that infrastructure in that area would be put into place by government, we look at \$453 million, and those were 1974 dollars, for a four million ton productive capacity.

Mr. Martel: That is a pretty good grade of ore I understand.

Mr. Lamb: The concentrate that is produced from that ore body, after going through the concentration process, is a good grade. The ore body itself is relatively low grade.

Mr. Martel: It depends on the concentration.

Mr. Lamb: That is right. I think the Lake St. Joseph ore body averages out at something like 23 per cent iron. It can be concentrated into a very nice product at 67 to 68 per cent iron.

Mr. Martel: What is it at Bending Lake?

Mr. Lamb: The grade of ore is slightly less. I would say about 21 per cent iron. Again, we could make a relatively clean concentrate and a desirable pellet from it.

Mr. Martel: You indicated there were other little operations. Did Algoma buy some from Inco?

Mr. Lamb: At various times they did, yes. Again, it is an understanding that I have rather than a knowledge.

Mr. Martel: I guess those of us who have had the unpleasant experience of seeing a mine close down in our community, my own being National Steel, have some difficulty rationalizing shutting down operations in Ontario and importing large quantities of iron ore into Ontario because of the devastating effect it has on a community and the inability of the workers to sell the homes at a decent market value because the market is dead. We have difficulty understanding the social responsibility that mining companies, in my opinion at least, should have to some degree, with respect to the people who have produced and created some of that wealth the companies enjoy.

I checked with the union again today, I talked to Moe Sheppard out there. He indicated that certainly things went well in the shutdown and you went beyond your contractual arrangement. I guess that takes us to beyond the contractual arrangement to whether mining companies have a social responsibility beyond the contractual agreement.

It seems to me that the steel industry in Ontario has chosen to invest somewhere else, despite receiving substantial government assistance in the form of tax, to be where they are as probably the leading producers in the world today in quality of the steel. But they have been able to use it in their taxation

process, as I understand it, as though it were a mining process and therefore enjoy tax benefits that other industries, not considered mining, enjoy.

Therefore, when we see steel companies investing in the United States as opposed to opening up large ore reserves, known ore reserves in Ontario, it sort of bothers us, at least on this side of the House anyway. What do you think the social responsibility is?

Mr. Lamb: I would like to address the social responsibility of ourselves at Steep Rock as a mining company because that is what I think I am capable of talking to.

The social responsibility of the steel companies, I think that applies to themselves and to their own mining operations. But I think generally--I am just going to leave it at that. I do not want to be negative and I do not want to be positive towards the steel companies.

Certainly as far as ourselves are concerned, and we were a mining company and we had a joint venture operation with Algoma, under which we had to be able to produce at a profit in order to move that material from Steep Rock to Algoma. When we were no longer able to do that, then we did not really have any alternative but to shut down.

We must remember that we had in place all of the infrastructure, a pellet plant, the mining equipment, a good work force, all of the things so necessary and so hard to put in place. To go to work at Lake St. Joseph or some place else would have been horrendously more difficult and more expensive on a unit basis than to continue mining in Atikokan, or some of those things would have been. We had very, very much going for us and yet we could not continue to turn a profit at that operation and could not see doing so for a considerable period of time. We could not continue to operate.

Mr. Martel: Isn't there a danger, though, in what is happening now that when there is an upturn in the market we are not even going to be in a position to grab a chunk of it, because no matter what we do, it is going to take several years to develop a mine--for example, Bending Lake--and by the time the market is there, there is a danger we are going to be out of the picture?

Mr. Lamb: There is a danger. I think there is a commitment --not a commitment but a desire from the steel companies, as I have talked to them, that a major operation could get going in northwestern Ontario and that would be very much their desire.

Mr. Mackenzie: What bothers me I think is the same thing that is bothering my colleague. As I see it, what you have done--in checking with the union there is no question you have done a good job in terms of the permissions you had to meet in the contractual agreement and beyond. But what you have really done is laid out the body when I think the industry and the whole area needed some mouth-to-mouth resuscitation.

It seems to me there is a broader responsibility. There is the social responsibility Elie talks about. There is the question of whether or not we are able to grab the opportunities again. It is obvious just from your remarks that the steel companies, when the time is ripe or when it is to their benefit, are going to want to be able to see a major mining operation again in the north. In the meantime, we have the costs of the additional imports and already bad balance of payments deficit. We have as well the social problems involved with the workers in the community. We have the problems that does bring and we know they can be severe.

I really wonder if we have taken into account the total broad overview of the whole thing. Obviously it is not going to be as profitable in the short term. I understand that fully. I just really wonder if between both the mining companies as yourselves, and the steel industry, we haven't lost something in the broad picture here.

Mr. Lamb: I would certainly hope that when there is a requirement for additional ore, whether that be through and probably through expansion of the steel industry in Canada, that the next source of ore would come from northwestern Ontario. I think that would be the hope.

The situation at Atikokan, though, was something more than just economics. We were down, we were deep enough--that is an old expression in mining, as you know coming from a mining town, that when she is deep enough she is deep enough--and we got to that situation, not necessarily by design, but that happened.

Mr. Mackenzie: That doesn't mean you couldn't have moved into the Caland operation.

Mr. Lamb: The same situation existed there. The Bending Lake situation was a matter of markets. There is no doubt about that.

Mr. Mackenzie: This 67 per cent iron pellet you were mentioning, that you could produce either at Bending Lake or Lake St. Joseph, is that a pellet that can be used in the existing steel industry in Ontario? No question about that?

Mr. Lamb: Yes, no question about that.

Mr. Mackenzie: Because we get arguments on that too.

5:30 p.m.

Mr. Lamb: I know there are problems with certain companies that have some restrictions as to the amount of minor impurities, and those are very real restrictions on those companies.

Mr. Mackenzie: But that is a good-quality pellet that you figure is useable just about anywhere in Ontario.

Mr. Lamb: I figure it is.

Mr. Chairman: I may have missed the point earlier, but dealing with the early 1970s, Mr. Lamb, you made reference to your own studies that indicated that within the decade, as did happen, Steep Rock would no longer be viable. It was in that same period, the early 1970s, I think, when these contracts were entered into and equity ownership by Stelco and Algoma of iron producers in Michigan was established.

Mr. Lamb: Yes.

Mr. Chairman: I am just curious, and I may have missed this point, but would it have been, under more normal circumstances--that is, that you could have seen your way into producing into the 1990s--a more normal procedure that Stelco and/or Algoma would have attempted to fulfil future obligations through you? Did they have to go to Michigan to get the ore? I guess that is my question.

Mr. Lamb: I think they went to Michigan because it was more economical to get ore from Michigan than from northwestern Ontario.

Mr. Chairman: It had nothing to do with the reserve situation at that time as you saw it and they saw it. It was economic.

Mr. Lamb: In all fairness to the steel companies, they, and we at Steep Rock, were looking at a very major commitment and project when we were looking at Lake St. Joseph. Bending Lake did not come to our attention until 1976. It would have taken a very major commitment on the part of all the steel companies to make Lake St. Joseph go. They chose to go to expanding and more established projects in Michigan and Minnesota rather than start a grass roots project with Steep Rock.

Mr. Martel: That is what bothers me. The minister gave us that answer some time ago also, that it was cheaper to buy in or expand than to open up. In the short run, I guess that is so, but in the long run in terms of the proper development of the province as some of us see it, I am not sure that is going to work out.

Again, I come back to the point I made before Bob wanted to ask a supplementary. When the market turns, it could turn quickly. We have seen a downturn in nickel when they thought they were going up and all of a sudden within the last year they were sliding back down without even realizing it. Falconbridge's profits increased substantially, but as I understand it, they are sliding the other way right now.

It would take about two years to open up a mine, would it not?

Mr. Lamb: At least three.

Mr. Martel: How in God's name are we going to be in a position to recapture some of the losses we have sustained in the last couple of years with the closing of mines?

Mr. Lamb: Only through expansion of the steel industry. At some time in the near future, because of their own requirements to produce more steel, they are going to need more iron ore. It takes at least as long to put in additional steel-making capacity as it does to put in additional iron ore capacity so that those two things can come together.

Mr. Mackenzie: What about the transfer of some of the current purchasing out of the country? Would that not also achieve some of it? I understand that may not be possible, but say some of the 40 per cent were imported or if there were even a requirement that 70 per cent had to be met from Canadian sources.

Mr. Lamb: Then the problem would come from all the ore coming from northern Quebec and Labrador. There are great tonnages coming from other parts of Canada into the United States vis-a-vis the US into Canada.

Mr. Martel: The trouble is in northern Ontario. It is my understanding that any one of those mines in Quebec could expand rather than open up new operations and could increase production.

Mr. Lamb: Again, I would think that is a possibility. Transportation is also involved there. Transportation is a big thing in northwestern Ontario, there is no doubt about that, and there are big bucks in the iron ore business, as you well know.

Mr. O'Neil: You mentioned it would take so many years to get back into the stream of things and you think the market will change around 1985. Can you give any reason why you mention that particular date?

Mr. Lamb: I do not have a source to quote from, but if you look at some projections, it is expected that the steel industry in Canada will expand so it will be requiring additional pellets by that time.

Mr. O'Neil: What will cause the expansion at that particular time?

Mr. Lamb: The normal expansion of the economy and the requirement of the steel industry. It has been on a reasonable growth scale at two per cent a year. As you stated, our steel industry in Canada is pretty well looked to worldwide.

Mr. O'Neil: Then you would have to gear up three years ahead, in about 1982?

Mr. Lamb: Yes.

Mr. O'Neil: You would be making some sort of decision as to whether you will open up these particular mines?

Mr. Lamb: Yes.

Mr. Martel: I guess that is part of my dismay. Look at the poor beggars in Atikokan who have lost their jobs or been forced to take early retirement. I wrote the figures down: 69 early retirement, but a lot of those are not on large pensions. I talked to the union today and they indicated there were probably 85 to 90 people with medical problems who might have been injured on the job and with whom you carried on in a light-duty capacity, and they are all out of the picture.

Mr. Lamb: I do not think there were very many who were injured on the job or incapacitated as a result of working at Steep Rock.

Mr. Martel: No, I am not saying that, but in terms of trying to find alternative employment, one of the first things any other mining company would look at is if the guy has a back injury. If he has a back injury, the chances of getting back into mining with a new company are pretty remote.

Mr. Lamb: I do not think that is a problem with the Steep Rock employees.

Mr. Martel: I checked with the union today and I talked with Moe Sheppard this afternoon.

Mr. Lamb: Moe Sheppard did not work for Steep Rock and was not associated with the Steep Rock union.

Mr. Martel: I understand that. I spoke to Moe this afternoon and I also talked to Henry Garrow today. I do not have the precise figure, but they tell me there are probably 80 or 85. The point I am making is that guys will have lost their homes in Atikokan because there is no market and some homes are shut. In my own home town, we are still trying to sell houses two years after the fact and we are only 20 miles from Sudbury.

If such a decision is going to be made in 1982, I guess it is a case of economic planning somewhere along the line that triggers these things. To close down a municipality and then come back two years later is tough to take. In my own opinion it is unacceptable. I am sure you know what we have been saying here about this situation. There is a real social cost and look at the difficulty you will have attracting people.

I have seen what the mining association says. They write me up occasionally in the Ontario Miner. It is not very complimentary, I must say, but none the less they do. You wonder why you cannot get good, skilled miners. Why the hell should they go into the mining industry? If I were a youngster, that would be the last place I would go to work because of the uncertainty and the experience across northern Ontario. I would beg my kids not to get into mining because there is no real basic security. Atikokan is just one of the examples.

It is my opinion that the steel industry, having received some of the largess of this country in the form of taxing and the

infrastructure we put into municipalities such as Nanticoke, has a social responsibility to say, "Yes, in conjunction with government, we will try to advance the work in a place like Bending Lake so that a municipality like Atikokan does not die or nearly die."

That is the sort of thing that is going on in Europe and it is the sort of thing we in Ontario and Canada are going to have to move to. The social costs are horrendous.

5:40 p.m.

Mr. Ramsay: Supplementary: Perhaps to Mr. Martel rather than Mr. Lamb, but he might like to comment on it. I am not really familiar with the circumstances at National Steel. Where did their production go? This is not a loaded question in any way.

Mr. Martel: No, I understand that, Russ. They were going into the United States in the form of pellet to Pittsburgh and what intervened there was the federal American government--in my understanding in meeting with the company--wanted a place called Pilot Knob in Missouri which was an underground operation, as I understand it, of iron and they were going to use it for storing fuel. The life expectancy was only three years and it was to their advantage to have the federal government pay to have it mined out, to use it as a source for storing oil. Therefore, although in the spring of 1979 they were going ahead as usual, overnight the announcement came that they were shutting down, but the federal American government had intervened to mine out Pilot Knob with the effect that National Steel, which was only producing 500,000 or 600,000 tons a year, was written off.

Mr. Ramsay: Was there not another market for National Steel in Canada? What about Algoma, Stelco--

Mr. Martel: No. We thought Algoma at one time--in fact, I think Algoma was interested in buying National Steel about five years ago.

Mr. Ramsay: I thought I had heard that.

Mr. Martel: Then they changed their mind. It would have had to have been a major investment of about \$2,125,000, according to the engineers I met with, to screen it properly so that we could get a Q factor that is satisfactory and reduce the silica. I think it was from 8.7. They said that for about \$2 million, they could have got it down to about 4.5 or in that neighbourhood, and I suspect that yours was not much different than that, was it, the silica content?

Mr. Lamb: The silica content at Steep Rock was relatively high, at 7.5 per cent silica, and that is high.

Mr. Martel: You could have reduced it, though, if you had known--

Mr. Lamb: No.

Mr. Martel: You could not with running it through again?

Mr. Lamb: No. We would have reduced the--for sure, the economics of the situation would have meant that we would have been closed a long time ago. In our contract with Algoma, the maximum limit on silica was 7.5 per cent--

Mr. Mackenzie: You were shipping to limit then.

Mr. Lamb: --and we shipped to limit in order to make the most out of that ore body. If we had gone below that, that meant we would have had more waste in that situation. We were right up to the limit all the time and we did a good job on that, to our point of view.

Mr. Ramsay: A final question on that. There is still capacity at National Steel?

Mr. Martel: Yes, tremendous capacity. It is just that the one company--they own part of a smelting operation, I guess, in Detroit and they sent some down there for testing. The first run went through well and they could blend it. We cannot understand why the second run was such a disaster that turned it off. I have never been able to get an answer for that in the House, as to why the first bit they tested blended so well and why the second crop was, if I can use the term, so bad that they would not allow the purchase, because we were under the impression that if that had gone, we might have been able to talk Dofasco or Stelco into taking about 250,000 tons. That was being tested and it did not pan out.

Mr. Ramsay: In other words, it could not be used in a Canadian mill?

Mr. Martel: That is what we were told, but the officials I spoke to from the local area, who were engineers and so on, some of whom I went to school with, indicated to me that really was not the case. They differed rather strenuously from what ultimately came out. It is the same with Inco. People from the Department of Energy, Mines and Resources federally tell me the Inco stuff is pretty good except for rolling for car bodies, but in fact we are dumping 500,000 tons a year into the tailings area in Sudbury right now, this very day.

I get mesmerized by any country that can afford to throw away 500,000 tons of iron annually just as part of the process. I just think there is something wrong with the commitment of the steel industry having, as I said, been assisted financially so that its social responsibility is to the mining communities and to the province.

Mr. Lamb: Certainly I do know you have to contract for iron ore a long time in advance because of the large capital requirements. I know the steel companies have done that. The requirement for iron ore is not as great today as had been expected when this capacity was put into place. I do know Algoma

attempted to sell some of its current commitment capacity during the period when we were working on Bending Lake and was unable to do so, and the only place it could have done that would have been to somebody else in the United States, but they were unable to do so so that we could mine at Atikokan.

Mr. Martel: And the United States is importing from South America larger quantities all the time.

Mr. Lamb: Not all that large into the United States from South America. That is another problem and I do not want to get into that.

Mr. Martel: My understanding is that National Steel, in fact, increased its imports last year alone in the first six months by 10 per cent.

Mr. Lamb: I cannot speak to that.

Mr. Martel: I guess it boils down to what do we expect as a committee or as a government; how you tie it all together, the long-term commitments and so on. I just see us being in a bad strait of ever trying to recapture the markets we have lost in Ontario, because the steel industry has decided to purchase abroad. The situation does not look very bright to me. I would like to help it and I think government should get involved in a very substantial way. In fact, when we asked Anaconda if they were prepared to enter into a consortium with the government, they were absolutely delighted at the prospect.

Would you be interested to enter as a partner with government money into the development of Bending Lake on a straight partner basis?

Mr. Lamb: I do not understand the straight partner basis--

Mr. Martel: Let us say I put up 25 per cent of the capital, that is 25 per cent that is my equity, and 75 per cent is yours to open up Bending Lake.

Mr. Lamb: I would not be prepared to go into it with anybody unless we could sell the product.

Mr. Martel: I understand that, but I am just curious--

Mr. Mackenzie: Joint ventures scare him, I guess.

Mr. Martel: Yes. It is intriguing that when we looked at the Inco layoffs, Inco could not cut back its production or said it did not dare cut back or lay off in Guatemala because the government was involved, and France does not cut back in New Caledonia because the French government is involved in the nickel industry. So governments, to some degree, do what companies cannot afford to do and that is to drag it through a slow period, to get give some economics, to get rid of the hills and valleys.

Mr. Mackenzie: SKF finds a 60:40 deal in Mexico fine.

Mr. Martel: I am just wondering how the mining industry would perceive it in terms of trying to keep communities from the crashes that occur across northern Ontario.

Mr. Lamb: Steep Rock Iron Mines would have been very pleased to do anything we could that was economically possible. Whether or not that was a joint venture with a government, we would have been very pleased to do so.

Mr. Martel: I am delighted to hear it.

I have some other questions, but if other members have some too, I am prepared to yield for this time.

Mr. Chairman: It is 5:50 p.m. Are there any other questions?

I think this has been an important exchange. One thing I want to mention--and I am not being flip when I say this and it is not being directed at anybody in particular--is that for the last number of weeks we have been trying to look for the easy villains in the question of shutdowns and layoffs. As the chairman of the committee I would just say that to date there have been no easy villains in the piece. It may be that Stelco will be asked to come and we are going to keep looking.

I think it is an important exercise and I think there will be some changes in terms of the attitudinal relationships between governments and companies. I think that is what the 1980s and 1990s will all be about, but it sure as hell has eluded me to date as to who the bad guys are in the cases that we have had the opportunity to see before us. I think it is a beautiful comment on what you have done, that you are the first hardcore witness who has had to cope with pensions and severance, and you have done it to an extent that the committee has opted really to pursue a broad discussion about the iron ore industry rather than to look at the things you have done. I think that says a lot.

Mr. Mackenzie: It also says we have not come to grips with the basic problem, Mr. Chairman.

Mr. Chairman: I think that says we have not come to grips with the basic problem, I agree with that.

5:50 p.m.

Mr. O'Neil: Mr. Chairman, I have a question. Mr. Martel raised a couple of questions about how miners' lives are disrupted, the people who are in these towns, because of the opening and shutting depending upon trends in business. As somebody who has been in the business for years, have you any suggestion along this line as to how something like that might be corrected so that there aren't those hills and valleys?

Mr. Lamb: It is a very difficult situation in a mining company and a mining community. Almost from the day you start to work you are working yourself out of a job. Some day that ore is

going to be gone. Through technological change, through abilities to mine more material, if it is just a matter of mineral being there, and economics, you have to do everything possible to extend that period of time to get the most out of your total availability of resources, which includes people, who are a tremendous resource. I guess I really can't offer anything solid other than what we have done at Atikokan.

Mr. O'Neil: You were saying, too, that by 1982 a decision could be made that could affect the mine going into full operation in 1985. Are you going to have in the future these long-range contracts that you have had in the past, say, 20-year contracts?

Mr. Lamb: For us to go into the Bending Lake situation and spend \$225 million as was estimated in 1977, we could not do that without a long-term commitment of 20-year contracts, and the ore body is not any bigger than that. There is no doubt about Bending Lake being a relatively small ore body. We would know when we went into Bending Lake that we were not going to be there 40 years from now. It might be 25 and we might even get it up to 30, but for sure it wouldn't be 40; I know that.

Mr. Turner: Would Lake St. Joseph be somewhat different?

Mr. Lamb: Lake St. Joseph is a different situation for sure. It is a much larger reserve and it depends on the annual capacity that is required and the possibility of selling that total annual capacity to start with. It is a pretty big jump to go out and sell eight million tons on an annual basis. That would be a tough situation to come to, but I think it is going to take something of that nature to bring that property in.

Mr. Turner: Is it fair to ask you in the foreseeable future, in your opinion, do you see that market opening up to that extent?

Mr. Lamb: Oh, certainly within this century I think there is going to be additional iron ore capacity required.

Mr. Turner: To require the opening up of Lake St. Joseph.

Mr. Lamb: Yes, whether it is Lake St. Joseph or not.

Mr. Turner: No. That type of operation.

Mr. Lamb: Yes.

Mr. Mackenzie: But in the 20-year interim we have got a possibility of facilities at Atikokan that could handle Bending Lake, for example, and we don't need the infrastructure to the same extent.

Mr. Martel: We don't need a town and we don't need a new mill. We have it all there if we could get it open.

Mr. Lamb: I would just like to make the point that the response that we got from our own employees was tremendous in regard to living in Atikokan and moving back and forth to Bending Lake on a daily basis. That was because the guy was living in town, had a job, wanted to maintain that job and would put up with that. It is going to be much tougher for us in the future to attract that work force to do that. We are going to be back in the same situation as Mattabi and these other places.

Mr. Martel: There is great difficulty there because, as I say, I understand the mining industry is having tremendous problems enticing young people into it, not just in northern Ontario, but all over Canada, because people are fearful of what happens to them.

Mr. Ramsay: I have a final question on the overview--you have covered most of it--of the North American iron ore market. Mr. Martel or Mr. Mackenzie perhaps commented on iron ore coming into the United States from offshore. How much of a problem is this, and what percentage of the iron ore in the United States or North America is from offshore?

Mr. Lamb: I couldn't comment with accuracy, so I had better not comment at all.

Mr. Ramsay: There is a fair amount, though, coming in?

Mr. Lamb: There is a fair amount of material that comes from South America, mainly Brazil, but those things change and there are some difficulties there. There is not anywhere near the amount of ore--I know for a fact--from Venezuela that comes into the States that did 15 years ago.

Mr. O'Neil: Why would that be from Venezuela? Did they stop mining it?

Mr. Lamb: No. I think to a certain extent it is probably political. I know the situation in Peru quite well because I worked there for five years. The company I worked for had a capacity of 8 million to 10 million tons a year and through nationalization they lost that, and they are gradually bringing that back up again, but those are problems that some of the South American countries have. Brazil seems to be a little more stable than that.

Mr. Ramsay: I have one final comment which doesn't have any bearing at all on our discussions today. Mr. Lamb and the late Hon. John Rhodes and myself were classmates together in grade seven.

Mr. Martel: Can I ask a couple more questions? There was a study a couple of years ago, done in 1978 by the steel producers, on the economic prospect for iron ore in northwestern Ontario. Have you seen that study?

Mr. Lamb: By that title, I am not sure.

Mr. Martel: It was done in conjunction with the Department of Energy, Mines and Resources. Our difficulty is they don't want to part with the study unless they get authorization from the three principals involved, namely, Stelco, Dofasco and Algoma. I am not sure what is so secretive about it, but we have not been able to get our hands on it. I am just wondering if you had per chance peeked at it.

Mr. Lamb: Not to my knowledge, I haven't.

Mr. Martel: You are going to leave some material for us with respect to what you made in profits and your financial statements and so on. I think you indicated earlier you were going to do that for a five-year period.

Mr. Lamb: We have got our annual reports for five years, and in any one of our annual reports for the five-year review is in the back of the report. You can go back 10 years on Steep Rock.

Mr. Martel: For the first time, when we looked at Inco when they had their major layoff, in the select committee we actually got what they were paying in taxes and what their profits were, because one really never gets a clear picture from the mining industry as to what they really pay in taxes. I remember their ads a couple of years ago which said, "We can pay up to 75 per cent," and when we got Inco's figures I think only twice in those 10 years did they exceed 40 per cent. Are we going to get that type of breakdown as to Atikokan? I mean the real figures; I don't mean the ones that are in the annual figures.

Mr. Lamb: I think the real figures are in the annual report, Mr. Martel.

Mr. Martel: I looked at Inco's financial statements over those 10 years and then I looked at what they ultimately gave us.

Mr. Lamb: Again, you are looking at a single operation at Steep Rock, and Steep Rock is a single company, and I think our annual reports reflect our financial position pretty clearly.

Mr. Martel: It doesn't tell us everything you write off, though, does it? For example, in 1971, I think Inco made \$90 million and paid \$1.5 million in total tax. That was the first time I had ever seen what they actually paid because some of it is pretty confidential stuff. I am wondering if that is the type of figures you are going to give or what is in the annual report, which tends to disguise it a little bit. I think I am accurate in that.

Mr. Mackenzie: Mr. Chairman, have we got time for one last question?

Mr. Chairman: Absolutely.

Mr. Mackenzie: A letter that one of my colleagues sent, as a result of a flow of correspondence back and forth, to Hon. James Auld, Minister of Natural Resources, back on January 28, 1980, made the following three observations. I would just like to throw it out to you to get your comments on it. It says:

"Dear Mr. Minister:

"I was delighted to learn from the preliminary investigation by your ministry that the following facts emerge:

"In the 25 feet from the surface of Caland C pit there are 4.9 million tons of proven iron ore reserves with a stripping ratio of 1.5 to one. In the 25 to 75 foot level there is a probable 10.2 million tons of iron ore with a stripping ratio of 2.0 to one, and below the 75 foot level there is a possible 11.2 million tons of mineralized ore deposits with a stripping ratio of 3.0 to one."

Is that inaccurate?

Mr. Lamb: Yes.

Mr. Mackenzie: Is that a company position that is inaccurate?

Mr. Lamb: Yes.

Mr. Mackenzie: Are there any studies? Where do these figures come from? Have you any idea?

Mr. Lamb: I am not really sure.

Mr. Chairman: Thank you, Mr. Lamb and your colleagues, on behalf of the committee for being with us. It was most helpful. I hope you will free to contact us if there is other information you think we should have. I know the committee will feel free to contact you if there is something else we would like you to help us round out our exercise. Again, thanks for the time. It has been appreciated and very helpful.

Mr. Lamb: I understand the union is going to come in sometime in the future to meet with you.

Mr. Chairman: They will be here next week. That is correct.

Mr. Lamb: We would like to co-operate in that situation, but I would hope that Ed Jackson could come in to have a look and see what happens at that meeting.

Mr. Chairman: By all means.

Mr. Lamb: We have had excellent co-operation with both the town and the union.

Mr. Chairman: It is on Monday, December 1, at 3:30. We will look forward to seeing you again.

May I just mention to the members of the committee two things? We do meet again at eight o'clock here. When you see your

colleagues tell them we are going to have lunch tomorrow at 12:30 to two o'clock. That is the basis of a very big consensus. We are going to have to do it because we cannot find the time that suits everybody for obvious reasons. But we will have a working lunch in camera with our staff, place to be determined, at 12:30 tomorrow.

The committee recessed at 6:02 p.m.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

TUESDAY, NOVEMBER 25, 1980

The committee resumed at 8.13 p.m. in room 151.

INTERIM REPORT

The Vice-Chairman: Ladies and gentlemen, we have a quorum. My name is Hugh O'Neil. I am the vice-chairman and possibly we could get things under way. We have the Deputy Minister of Labour with us this evening. Mr. Armstrong, would you like to introduce your guests?

Mr. Armstrong: I believe you wanted to ask some questions of Mr. Joyce who is on my left. Mrs. Rita Burak is assisting Mr. Joyce in setting up his office and she is happy to be here as well. I don't propose to do more than to say, as I think was said when we were here before and as the minister said in the House, how pleased we are to have Mr. Joyce with us, serving in this interesting and challenging role he has undertaken. He is in your hands for any questioning. I might say he has been on the job for just a short period of time and I think it will become apparent as you question him that many of the ideas he has about the operation are in the embryonic stage. None the less, he is very pleased to be here to assist the committee in any way he can.

The Vice-Chairman: Mr. Joyce, have you an opening statement or anything you would like to say?

Mr. Joyce: I will just say I am pleased to be here and, as the deputy said, it has been rather a short stay. With a little experience in the job, I think I could have contributed quite a bit more and will contribute quite a bit more a few months from now. I will do my utmost to answer your questions to the best of my ability and give you an idea where I think we are headed.

The Vice-Chairman: We could open up with questions or I wonder, Mr. Joyce, if you could give us some background as to what you feel this new job entails and how you see it?

Mr. Joyce: I think in the interests of time, I would just as soon respond to questions and during that period probably cover the field a little more fully, if that suits you.

Mr. Mackenzie: May I ask, as a point of interest, what responsibility Mrs. Burak is fulfilling at the moment? What is her regular responsibility?

Mr. Joyce: I think you know the answer to that.

Mr. Armstrong: She is the director of the women crownemployees office and fulfils this task very well. Her background in government is varied. She came to us from the

Management Board of Cabinet. I do not want to embarrass her, but she is extremely adept at new operations, administrative arrangement and policy advice. She is acting in a temporary capacity to assist Mr. Joyce as he seeks out permanent staff.

Mr. Mackenzie: And her regular responsibility is for the women--

Mr. Armstrong: The women crown employees office.

Mr. Mackenzie: This is not then a dilution of her efforts on behalf of women, fitting her into another part-time job, is it?

Mr. Armstrong: Oh, not a bit. I hesitate to speak for Mrs. Burak. To put your mind at rest, she can probably tell you what alternative arrangements she has made to ensure that office continues to operate effectively.

Mrs. Burak: I have taken the opportunity to develop one of my senior staff in an acting capacity on those days when I am assisting Mr. Joyce. But I can assure you that everything is running very much at the 100 per cent capacity.

Mr. Mackenzie: There are those of us who feel a fair amount of effort has gone into the field of women's activities. I would hate to think that was one of the positions we could just second somebody from temporarily to set up another operation. That is my only concern.

Mr. Armstrong: I agree with you. That is an area that needs careful attention. I do not expect you to agree totally with this, but it is, in our opinion and my judgement, running effectively at the moment. Mrs. Burak would not have accepted this assignment unless she was sure those duties could be covered for this interim period effectively. I do not think the part-time secondment will be a long one, but I would underscore what you said. The assignment has not been made to the detriment of that very important operation.

I think you were present during that portion of our estimates when Mrs. Burak described what is going on in that office. It is one of the areas, and again I do not expect unanimity on this judgement, we think is being very capably handled.

Mr. Mackenzie: Unfortunately, with the combined committees sitting, we did not have a chance to get into all the questions that some of us, at least, would have liked to ask.

I would like to start off by asking Mr. Joyce exactly the question the chairman put to him. I would like to ask him what he personally sees as his responsibility in this new job?

Mr. Joyce: Would you like to have that as a written document?

Mr. Mackenzie: No, and not talking at great length either, but just as you see the responsibilities.

Mr. Joyce: Following up on the minister's statement, when he approached me to accept this challenge, in a step-by-step summary of how I see the job, the initial step was that, on receipt of an announcement of a problem--and I hope to develop sufficient confidence in the community--companies would come to me, as much in advance as possible, even more in advance of the time they are required to give notice to employees, so we can sit down and discuss the reasons for the closing, and I could obtain the necessary information from them. Then, with the assistance of others, I could make a judgement as to whether the closing could be prevented. I think I do have a contribution right there.

8:20 p.m.

In the event the closing stands, I would see to it the various ministries were placed into action. I think the thrust there, and a very positive thrust in my view, can be made in assisting the employees in the areas of skills retraining, retraining in general, counselling and relocation. I feel there is a major contribution to be made there to ensure that the future of the employees is enhanced.

Mr. Mackenzie: I have here four points, as I see it, involved in the proposed legislation the minister announced, and it seems to me then you probably fit into two of them. The four positive points, as I saw it, were:

1. an all-party committee to study plant closings, severance pay, you name it;
2. forcing companies to set up employer-government committees to help displaced employees find jobs, and I presume at least part of that comes under your role;
3. a government co-ordinator to study closings and help employees, which overlaps a bit, but I take it is your role;
4. unspecified protection for workers close to early retirement benefits.

Do you see those as the thrust of the minister's statement in the House?

Mr. Joyce: I missed your first point in full.

Mr. Mackenzie: The first point was an all-party committee to study plant closings, severance pay, you name it. I take it this is our committee.

Mr. Joyce: Yes. That is the way I see it, too.

Mr. Mackenzie: I also, in putting down, and going over with some others, an evaluation of it, saw the following, if not negative points, at least points that bothered me. One was what

appears to be a government refusal to commit itself to legislate mandatory severance pay legislation. There is certainly not a lot of encouragement in that particular field, no requirement for employers to justify plant closings. That may be at odds with what you see as your role. If it is, I would like to know what authority you feel you have, including demanding that we have access, if necessary, to the books because we have already found out that doesn't come easy in this committee.

I see no improvement in advance notification provisions, unless, of course, such a recommendation is accepted from this particular committee. I see no real improvement in vested pension rights and portability of pensions, and I see no commitment to the overall program, which I think is a full employment program in the province. Certainly what we are getting into early with some of the companies is that we haven't got a hell of a lot of clout in Ontario in terms of where plants do or don't locate or the reasons for which they decide to close down. That is obviously an early assessment, but it is sure as blazes what is coming through to me whether it is from Harding or SKF or even Steep Rock which we had today.

Mr. Joyce: I am not familiar with your most recent meetings with these companies. Being eternally optimistic, I suppose, and based on my previous experience, I really don't see it--I think you are placing it in negative terms, and I would be much more hopeful of positive results. In the relationships I have had so far, I have reason to believe that we can produce positive results--perhaps not perfection, but certainly positive.

On the question of such matters as severance pay and time of notice and so on, I will certainly be making my recommendations to the minister; but I think that is outside my mandate here in discussing it. I have some very definite views on those points and will be making them to the minister.

Mr. Mackenzie: Do you think you have the authority or can you have the authority to require justification, require the opening of a company's books?

Mr. Joyce: No, I don't think I have that authority at all. I have the right to persuade, and until such time as I find I have negative results there, I am just not prepared to comment. As I say, it is early days. To date, I have already met with three companies, and I have not encountered the problem you have, possibly because it was in personal discussions rather than in an arena. But I have not had that problem to date.

Mr. Mackenzie: But you don't have that authority, as you see it, so you have got to operate on persuasion?

Mr. Joyce: Have the authority to see the books and to persuade them or order them to not close? No, I don't have that authority, very definitely not.

Mr. Mackenzie: I would like to be fairly blunt with you, if I can, Mr. Joyce. My concern, and I know it is a concern

expressed by others, in the hearings so far in this committee is that we have a major overview problem in terms of plant closures, decisions made with regard to production runs in Canada and so on. I am expressing only a personal view now--but at least some others are mulling it over in their minds, I know--when I say we are going to have to do a little more than just come up with Band-Aid suggestions in terms of what we can do for workers when a plant closure takes place. My concern, when the minister made the appointment--it is not about your own abilities, integrity or anything else--is that he was really appointing somebody who would look for more orderly procedures in terms of shutting down the plant.

It was not my original observation, but somebody made the observation that they were bringing you in to act as a good undertaker after the plant closed. I do not happen to think that is going to do us a damn bit of good in Ontario. Others will not share it, but I am really wondering if your role can be any more, given the authority you have, than to take part in an orderly shutdown of an operation, see that the workers get the most benefit there is, and get the advantages of manpower adjustment committees or what little we have to offer in the way of assistance.

Mr. Joyce: Mr. Mackenzie, I may look dead at times and I may feel dead at times, but I can assure I am not here as an undertaker.

Mr. Mackenzie: I was meaning in the context of what we have to do.

Mr. Joyce: I realize that. I just happen to feel that, aside from the justification--let's leave that aside for the moment and deal with the points you are making on benefits. If I felt I was just here to monitor the benefit package and to monitor what the Canada Manpower consultative service program has in place right at the moment, I would not be here. It is as simple as that.

I happen to think that we can, in fact, make a major contribution to this area of counselling, retraining and relocation. I would like to see a lot more positive emphasis placed on those points by everyone, this committee included, because I happen to know how difficult these closing situations are. I have been involved in many and I know how difficult it is to have employees retrained and, in particular, to have them relocated. I think this is what it is all about, once the closing is certain, to do everything positive we can to ensure their future. Certainly I have seen some tragic scenes where people have not been able to be placed and were not able to fit in the new environment. I feel a lot of work can be done there and certainly that is where my thrust will be in this area of preparing a worker for the future once the plant closing is certain.

Mr. Mackenzie: Mr. Joyce, what is your reaction to the workers' takeover, for example, in both the Tung-Sol and the Houdaille situations?

Mr. Joyce: My reaction is this, that I am not here for 10 seconds and never had been and never will be to support irresponsible management or weak management. I stand for responsible management and, from what I know of some of those cases, I do not think we were seeing responsible management. That is a very good part of why I wanted to take on this chore.

Mr. Mackenzie: Have you seen some of the published reports--I have only seen them in leaflet or newspaper--of the severance arrangements that were made for management in both Houdaille and Tung-Sol?

Mr. Joyce: No, I have not seen those, but I would expect to--

Mr. Mackenzie: In one case, \$1,091,000 pension settlement, a \$5,000 a year consultant fee and \$91,000 in moving expenses.

Mr. Joyce: You mean one case in total or one employee got that?

Mr. Mackenzie: I am talking about one employee according to the document I saw.

Mr. Joyce: You mentioned Houdaille--

8:30 p.m.

Mr. Mackenzie: Maybe I am a little less sympathetic to some of the company people than others are, and some of the company operations. I have to confess I was looking at those figures in a reputable UAW publication at the convention just today, which listed the settlement for some officers of a couple of these companies.

Mr. Joyce: It could well be. All my life, I have been a management representative. I have been a representative for responsible management and, as I say, I am not here to defend the actions of some of the companies that have brought on this legislation, that brought on this problem, that brought on this committee. Most companies are handling the issue pretty responsibly. That is my experience. You can and you will always be able to cite some irresponsible actions by management, just as some other person could cite irresponsible actions by unions.

Mr. Mackenzie: Do you feel you at least have an opportunity to carry out your mandate without having the authority, for example, to demand justification or an opening of the books, or what have you?

Mr. Joyce: Yes, I do. I feel positive about it. I am not saying I will be successful in 100 per cent of the endeavours but I am not so sure the legislation is successful in 100 per cent either. I don't make any bones about the difficulty of turning situations around after an announcement is made. I don't downplay that difficulty whatsoever, not for a minute. As far as having

authority for records or authority to prevent a company from closing, no, I don't have that and I don't think I need it.

Mr. Mackenzie: What would be your initial steps, as you see it, when you hear that plant X is going to close down in five or six months, if we are lucky and get that much notice and if the information is brought to your attention? Specifically how do you see yourself acting, or your responsibilities?

Mr. Joyce: Perhaps it would be useful if I just told of my earlier experience, and I certainly will be developing it from there. As I said, I visited three companies today. One is on a totally confidential basis where the company anticipates closing some time in the future. They anticipate giving substantial notice to the employees, but they did want to discuss it with me on a confidential basis. I am certainly not in a position to name that company. They came to me on a confidential basis and we discussed the necessity for closing and for transfer of their operations. We discussed all of the aspects one should consider for their employees when making such a move. I think that was a pretty positive step and certainly the kind of confidence I am trying to build in the industrial community, so that they can discuss that with me in the early days.

In the other cases, I am certainly prepared to give you the names of the companies that I have visited. One is Sheller Globe of Canada Limited in Deseronto. They are scheduled to close January 9. I visited with them and discussed the reason for the closing. They gave me their figures. I haven't finished the exploration, but I have more than reasonable confidence I have the facts from them on their return on investment, their sales volume experience, and I also investigated and received that company's information on the head office charges, percentage of sales that head office in the United States charged on their sales and I found them completely reasonable, in my view. In that particular case the United States parent company is going out of the business at the same time as in Canada.

It is in the school bus and ambulance industries primarily. I am confident I am getting the facts from them on the very live probability of a sale in the near future. I have downplayed that one as far as any activity in the plant is concerned with the employees, because I think a sale is going to come up fairly quickly.

I think you are probably familiar with the other company I dealt with, Duomatic in Waterford. They have a plant in Tilbury. Both plants are represented by the United Steel Workers. In the Waterford plant they produce oil furnaces. In the Tilbury plant they produce gas furnaces primarily but other types as well. The oil furnace volume in Canada is 40 per cent of what it was two years ago. The plant in Tilbury has been running at about 40 per cent capacity and the plant in Waterford is at about 40 per cent capacity.

They made the decision to amalgamate those plants and they elected to go with the Tilbury plant. They felt if they went at

40 per cent capacity at two plants for many more years, or many more months for that matter, then the two plants would be threatened. They decided to amalgamate the plants. The Tilbury plant happens to be the senior plant in terms of seniority and age of employees. I am not suggesting that is why they selected it. By happenstance, that is the way it is and they have gone that route.

I do not have their figures yet but they are preparing them and said they would turn them over to me. That is more a case of looking at the prospects rather than a return on investment over the past three or five years.

Mr. Mackenzie: In the course of your brief conversations with Duomatic on the closing of the plant in Waterford, did they give you any indication of what they have discussed with the union to date in the way of severance arrangements?

Mr. Joyce: No. They have discussed benefits but to date they have not discussed severance pay with the union committee.

Mr. Mackenzie: I had supper tonight with the staff representative who handles that plant. He told me of an offer they had that was not only totally unacceptable but the worst that has been put on the table to date in terms of Houdaille or Tung-Sol and those corporations.

Mr. Joyce: Did they meet with the committee?

Mr. Mackenzie: I do not know whether it was with the committee or not. It was the staff representative I was talking to who has been dealing with them also.

Mr. Joyce: No, they had not formulated their full plans on severance pay at the time I talked to them. They certainly had not discussed it with the committee at that time.

Mr. Mackenzie: Their starting position was one I would not bring to anybody, I'll tell you. Based on what was discussed with me at suppertime, there was a request and I simply put the chap in touch with our clerk. Perhaps it would be a good example to have before the committee.

Mr. Joyce: I discussed the reason for the closing. What I was going on to say is I think the company has reason for transferring the operations to Tilbury. I cannot say I was very pleased with their attitude on the approach to committees. They are not participating in the CMCS committee. As I explained to them, that is the reason we have legislation on the books.

Mr. Van Horne: I would ask if you are satisfied that your terms of reference would allow you to pick up on what Mr. Mackenzie has just mentioned, that the recent offer is totally unsatisfactory and come back to management, or must you go through the minister and say: "This just is not right. If you do not shape up, there is going to be trouble"? What kind of terms of reference do you have that would allow you to do that?

8:40 p.m.

Mr. Joyce: I feel my terms of reference allow me to discuss it with the company and try persuasion. I do not think it gives me an effective authority to talk about there being trouble.

Mr. Van Horne: You may talk about it. You would presume that might be one of the eventualities. In other words, it may well be that these people, to get some satisfactory form of severance, would have to do what some others have had to do and that is lock themselves into the plant. Is that the ultimate way of getting some reasonable severance?

Mr. Joyce: No, it is not the ultimate way.

Mr. Van Horne: Okay, what is your term of reference?

Mr. Mackenzie: Persuasion. We asked him that specifically earlier on, Ron.

I have one other question, Mr. Joyce, that I would like to ask you on the company's financial position. Is there any given time when they make the decision to close? Just let me go a step beyond that. I will put it in this context. We have had indications of companies with substantial years of losses and yet their biggest profit in eight or 10 years was the last year or the year the decision was made to close. Now their projections are for continued bad periods, but that has already happened in companies before this committee.

Is the financial position of the company a major bottom line as far as you are concerned? Or is there also, in terms of the kind of persuasion you feel willing to use, a role for taking into consideration the wider social responsibilities we like to call them, whether it is a question of what happens to a one industry town, I am thinking of Atikokan now, or some of the other cases we have had? The cost to the workers in terms of employment or lack of employment in an area? What it costs us on a broader basis still as a province if we have to import the production of a specific plant and the cost that may be involved in terms of our deficit? That is going far afield.

Is the entire social package an item that is taken into your considerations or is that a little too broad for your responsibilities.

Mr. Joyce: No sir, I think that is right in my area of consideration. But at the same time I think it would be a pretty hard sell if that company has had a negative return on investment and expects to have a negative return on investment and we can't find the means and methods with the industry and other departments of the government to effect a turnaround.

Mr. Mackenzie: What if that negative return on investment appears to be, or there is substantial evidence that it is because of short runs or deliberate milking of the operation here in a branch plant operation in Canada, of where an inability

because of parent company activities or tariff activities in the country where the parent plant is located to allow--in other words their global mandating does not allow them to set up a production run in one particular plant that could compete anywhere else?

Mr. Joyce: I am sorry, could you repeat that?

Mr. Mackenzie: I am really thinking of the SKF situation. It is pretty obvious that we can't sell anything from the SKF plant anywhere else in the world but there is ample protection in many other countries. That is the example I was referring to where their last year's profits were the best they had shown in a good many years. The decision is still to close it down and there is some evidence at least that there has been one hell of a lot of small production runs which are also expensive. That may or may not be a deliberate policy of the head office in Sweden or wherever it is. It is something I am not sure anybody can really prove.

Mr. Joyce: You are asking for my mandate on that?

Mr. Mackenzie: That's right.

Mr. Joyce: I would think that after the attempt at persuasion and discussion with various departments in the government as well as with the company, I think my mandate then would be to go to the minister and set out the problem. I think it would have to be handled on a higher level in that case.

Mr. Mackenzie: In a case where you saw, from your investigation or your discussions, such corporate actions as being deliberate or suspect at least, what kind of a recommendation would you be willing to make to the minister? Are you scared by joint ventures, or co-ops or worker control in an operation?

Mr. Joyce: No, I am not frightened by anything, sir.

Mr. Mackenzie: Is it foreign to your philosophy, or are you just willing to look at all new fields these days?

Mr. Joyce: I am willing to look at all new fields. If you are asking me should the government operate every company in Canada, no; I would be very frank with you in saying absolutely no.

Mr. Mackenzie: Not only did I not say that, Mr. Joyce, it has never been a position of mine.

Mr. Joyce: No.

Mr. Mackenzie: But I am also quite willing to see them involved where I think it is the only way we are going to get out of it.

Mr. Joyce: It has been done before, and it has been done successfully in some situations. I have a very open mind.

Mr. Martel: Mr. Joyce, the case that is so paramount in our minds is Steep Rock, which indicated to us today that it is looking to possibly open up in 1985, when the market gets better; but they have shut down their operation. It takes three years to bring a mine into production. They indicate if there was some indication that the market could improve they would be prepared to start to open it up two years after shutting it down. In that sort of instance, with government involvement, to get rid of the peaks and valleys of the mining industry, government funding--and we know that in places like Guatemala, Inco during the last layoffs indicated quite clearly that they could not lay off there because of government involvement. In New Caledonia, France is heavily involved, subsidizing to keep the work force in place.

Would you be prepared to suggest to the government of Ontario, for example, that they should lean on Stelco, Dofasco and Algoma to get commitments out of them, so that when the market turns up we will be in a position to be in the ball game? If the market turns up quickly and it takes three years to bring a mine on stream, we will not be in the ball park for the next increase in the production of iron ore, and in the interim the vast majority of the workers have lost their homes and so on. That is why I don't think Bob was suggesting government should get involved in everything, but there are cases where an entire community is virtually held to ransom because of those corporate decisions that affect where the supply will come from.

The same thing applies. My friend the deputy minister was with us when we went to Cleveland to see a noted gentleman. I use the term loosely, because he thought he was dealing with the country bumpkins when he talked to us, because we weren't even in his league. They shut down and walked away from an enterprise that makes \$6 million a year, and surely there is some onus on government that puts up funding for a Nanticoke to develop that those companies that derive the benefit of the investment of the province, social investment, that those companies have a social responsibility to make sure that communities remain alive. My own community, and the deputy minister is aware of it--he was with us--has really suffered when there is a viable product there according to the engineering studies.

It is a case of what you think your mandate is, I guess. Does it go that far, to suggest to government that we have to lean, invest, particularly in the mining industry, which has so many cyclical downturns, upturns and what not, to stabilize it so there is some kind of stable economy?

Mr. Joyce: Certainly my mandate would go that far to recommend, if I felt it appropriate. I am sure in no position to say that I would do so. I can tell you that right now. I just don't know. I don't know the situation.

At the same time, when you mention Guatemala or wherever, they may have some protections in that area, but at what cost and at what wage rates and benefits can we be competitive by doing what you are suggesting? I just don't know.

8:50 p.m.

Mr. Martel: I don't think those companies are competitive in the true sense when it is government involvement that maintains that work force. The only thing I am querying is how far you would be prepared to go. I am not trying to pin you down specifically to those examples, but taking into consideration those types of difficult situations, for the life of a community, particularly if it is a one-industry community, I would like to know how far you are prepared to go.

Mr. Joyce: I would like to withhold my answer for a few months if I could. I am not trying to dodge it at all. I said that I was not here for one minute to support irresponsible management. At the same time, dealing with responsible management, I really have not found that many responsible companies that weren't in business to make a dollar and weren't willing to continue in business if they could make a dollar over the long haul. Whether government intervention would help in some of those cases, I have my doubts.

Mr. Martel: I am not suggesting government involvement is going to happen. There are too many of them. One looks at some of the ventures we have funded.

Mr. Mackenzie: Particularly this government.

Mr. Martel: There certainly are instances when there is intervention from offshore or another government, as in the case of National Steel, where the federal American government intervened to the benefit of a community in Missouri but to the detriment of a community in northern Ontario. What I am looking for is to see how tough you are prepared to be if the circumstances warrant where the existence of a community rests on the sort of recommendation you are going to make.

The Vice-Chairman: Do you have a supplementary, Mr. Van Horne?

Mr. Van Horne: I am not sure it is a supplementary in light of the last few points that have been made, but let me try it.

Following along from what Mr. Martel said about the prospects of either maintaining or reopening an operation, what kind of mandate have you in so far as dealing with other ministries go? Industry and Tourism would be the main one and Treasury, of course, would have to be involved. Have you had many discussions with the Minister of Labour (Mr. Elgie) or cabinet to pursue that avenue? Would a little bit of market-chasing help or a little injection of additional funding help that sort of thing? Obviously you are going to be reaching out beyond the Ministry of Labour here. Can you tell us anything about that and what kind of guidelines or what kind of latitude you would have in dealing with the company to talk turkey about hanging on?

Mr. Joyce: To date I have been in touch personally with the Minister of Industry and Tourism (Mr. Grossman), and I think we

are going to work out an approach, a most co-operative approach, where we will jointly be dealing with the company involved the minute either one of us hears of any problem, let alone a notice of closing, with the view of whether this can be turned around, new products be introduced or a sale made.

Mr. Van Horne: Would that extend to the point of recommending additional funds? Do you have that kind of latitude to say, "I think if they are looking for additional Ontario Development Corporation funds or whatever, I might recommend it"?

Mr. Joyce: To the point of recommending that? Very definitely, yes. Certainly my mandate is that.

Just to go on, I have had discussions with--you will have to pardon me as I am not clear on all the government names, or I keep forgetting them--the Ministry of Colleges and Universities in developing programs across the province when the closure is certain or virtually certain.

Mr. Van Horne: That really ties into not the supplementary but the question I was intending to ask. The last part of the October 17 press release indicates that you will also direct interministerial field teams established to assist with adjustment problems arising from closures.

Mr. Joyce: Yes.

Mr. Van Horne: Of course, this obviously has to accommodate the retraining worker relocation problem. This whole phenomenon of industrial dislocation is one that you would be addressing in that. Can you tell us anything about the discussions you have had to date and the directions you might be going?

Mr. Joyce: I have met with the Ministry of Colleges and Universities and their people are meeting with the heads of the various colleges around the province within the next week, I believe. We have plans under way so that we can put into action the various representatives in the given area where we would work with Canada Manpower consultative service in the areas of skills assessment, interviewing--what those employees would like to do, what they could do by way of training and retraining and skills training.

As well as on the training aspect, I place a lot of emphasis too, based on my experience, on counselling and family counselling on relocation. I will certainly be making recommendations in the area of relocation assistance as well. I know that some things are in place but possibly a better job could be done.

Mr. Van Horne: I am not sure whether I should not be directing this to the deputy minister rather than to do, but we have other people to consider when we are talking about retraining. Mr. Pollock is one who is involved with the Ministry of Labour and we have our federal brethren to consider in this whole prospect. What kinds of communications will you be

developing between the federal people and also people like Mr. Pollock?

Mr. Joyce: We will be working very, very closely with CMCS right throughout. They move in hopefully on day one with us. Another thing we have to fight all the time is duplication and try to work as a team with them. I think that is where a major thrust has to be.

Mr. Renwick: Mr. Chairman, I am sorry I am somewhat late arriving, so there may well be some repetition in the matters I want to raise with you, Mr. Joyce.

At one moment, I sympathize with you on the position you find yourself and then I say, "I should not really have too much sympathy. He accepted it."

Mr. Joyce: That is right.

Mr. Renwick: I am real concerned about my fear that you are going to end up a patsy in the operation. I would like to know if I may, Mr. Joyce, amongst your particular qualifications, which of the qualifications made you say to yourself, "Yes, I can do this kind of a job?"

Mr. Joyce: My particular qualifications centre on personnel. As I have said a number of times here tonight, probably because of that background I think I can make a major contribution in the area of preparing employees for the future in the event of the plant closure being certain.

I guess I would have to say that a part of my qualifications centres on the fact that I have participated in a number of plant closings. That does not take away, for a moment, from my endeavours in discussing with the companies alternatives, but where there are no alternatives, if I do have a skill, it is in the area of assessment, counselling and training and very much knowing the problems of the employees who are subjected to the notice of closure.

9 p.m.

Mr. Renwick: I am interested in two reasons in your response because I take it that you do not consider yourself to have any special qualifications. I emphasize the word "special" with respect to the events up to the time when notice of impending closure is received.

Mr. Joyce: I have a lot of business experience but I am not a finance man.

Mr. Renwick: You are not in a position to deal with the kinds of investment questions that obviously came up in the Armstrong Cork situation. I am not suggesting you have read all our transcripts, but the net effect of it was quite clear in that Armstrong worldwide, having quite a few dollars in relative terms to invest, decided it wasn't going to invest any in Armstrong in its carpet manufacturing operation.

Mr. Joyce: I have a pretty sharp eye for return on investment and overhead charges.

Mr. Renwick: That is exactly what they said, upwards of 10 they had to earn. Their best guess was four or five so that was it. SKF, for the same reasons, indicated they were going to shut down their operation at the time and, in substance, it was the same reason that Steep Rock has given. So I take it you don't have any particular expertise in business economics of that kind of financial acumen.

Mr. Joyce: Or to say expertise by any means. That would be one area where I would have to seek assistance and counsel more than in any other areas.

Mr. Renwick: That would be consistent with the tone of the minister's statement, then, because this aspect of keeping the plants open is a very negligible part of the statement, as I read it. He said, "The fifth proposal complements the one to which I have just referred," and that of course is the establishment of the committees to find alternative employment. He listed two of three things, one of which was a passing reference that, on receipt of information concerning an impending closure, you would obtain all pertinent information to assess the possibility of maintaining the operation. But your skills are at the other end of the game, the personnel game and the replacement of people in the field. Is that right?

Mr. Joyce: You asked for my particular skills and those are the general ones, yes.

Mr. Renwick: I would like to pursue that a little bit. With your background of experience, I want to ask you a question that intrigues and interests me very much. What do you think the conceptual nature of the relationship between the worker and his work place is or should be from the point of view of the public policy which this committee is going to have to propose with respect to the plant closures?

In other words, we hear so much about a worker having an investment in his job, or that a worker has a property interest in his job, or a worker has something called--the latest one I have heard--an implicit contract with the company, whatever that means. Apparently, it defies interpretation, but it is an implicit contract. Do you see it strictly as a contractual arrangement that can be terminated, in most cases very abruptly, except for statutory protections? Do you see it as having a societal content which gives the employee, the worker, a handle on the game, or is he just going to continue to be subjected to these very minimal protections which are at present in the Employment Standards Act? I would like to have your own thinking about the nature of that relationship because that conditions a lot of the problems I am having in this committee.

Mr. Joyce: I see legislation as being just a base in the relationship between the company and the employee. Maybe I should

ask you first, are you distinguishing between the employees who are represented by unions in a contractual arrangement with the company or not?

Mr. Renwick: No. I am stepping back from the nature of that. I consider that as simply a protective device to protect the working person against the hazards of the job, but that is a collective agreement.

Mr. Joyce: Again as a base?

Mr. Renwick: Yes. Perhaps I could help a little bit this way. We have gone through a lot in the assembly over time on the question of occupational health and safety. In a sense, we have established in the bill--and it is very unclear and hazy--something that says the worker at the work place is entitled to a safe work place. Is there some way in which we can get to the point where the worker at the work place is entitled to a secure economic environment for his work and, failing that secure economic environment, to be told the circumstances under which his economic security has been placed in jeopardy and to participate in any way he can in whatever the decisions are. Am I straining? Is that too far?

Mr. Joyce: Yes, you are straining my philosophy.

Mr. Renwick: Then perhaps you would tell me your philosophy and tell me how I have strained it.

Mr. Joyce: I think the company's obligation to the employee goes beyond the legislative base. The legislative base may be okay for the company that cannot do any better for the employee. Certainly it has been my experience that most companies go beyond that base and feel a responsibility beyond that base. When you are dealing only with legislation, you have to deal with it very broadly and only in a limited number of areas, whereas when a particular closing comes up in a situation the responsible company feels a very definite responsibility to its employees to look at the total scene, the age of the employees, the service of the employees, the likelihood of getting jobs, the ability of that company to offer to transfer its employees to other operations across the country. Am I answering your question?

Mr. Renwick: Yes, you are. Perhaps I can talk about the dividing line, that is, the after-effect of the decision to close. Let me illustrate. MacMillan Bloedel had partial closure and reorganization of their business in the south part of Toronto. That was a clear case where the rationalization of the industry closure operation was done without any consultation of any kind with anybody, as I understand it. If my memory serves me correctly--and the deputy can correct me--the minister heard about it at about the same time I heard about it, which was after the decision was made. As far as I could ever find out, the Ministry of Industry and Tourism did not know anything about the rationalization that was going to take place.

million to bring into production, we would have had to go out and been able to sell all of that ore for at least a 15-year and probably a 20-year period in order to substantiate the financing of the initial project. So most iron ore is bought on a long-term basis into the future.

4:50 p.m.

If you go back to 1973 and 1974, when we were looking at Lake St. Joseph, the iron ore industry had been in the doldrums as far as new capacity was concerned for a considerable period of time. All of a sudden, the steel industry thought they were going to take off and go at the rate of four, five or six per cent expansion over a long period of time. To do that, the first thing they needed was iron ore. So, boom, everybody started to look and they said: "We need more iron ore. Where are we going to get it?" Steep Rock worked very hard to get Lake St. Joseph going at that time. There were problems involved in, as I say, mainly the high cost of mining in that area. We did not have a close association with a steel company at that time. I will go into that in another part later. Unfortunately, we were not able to bring Steep Rock's Lake St. Joseph ore body in until 1974.

Across the border in Michigan and Minnesota, there was about 30 million tons of capacity put in place, including some expansions of plants which were normally cheaper, but a couple of new projects as well. So that kind of sets what has happened in the 1970s in iron ore producing capacity. There was not very much put in place through 1974 but, all of a sudden, decisions were made in 1974 to put in new capacity to meet expected steel plant requirements. Those plants came onstream in 1976-77-78, and the steel industry did not get anywhere near its expected growth. Then all of a sudden there is a glut of iron ore on the market, particularly in the North American situation.

Mr. Renwick: On that, if I can look at a couple of obvious things which come to mind from the information which I have. As I understand the Minnesota and Michigan ones, for example, Algoma has a 30 per cent interest in Tilden iron ore and Stelco has a 10 per cent interest in Tilden. Is it that contracts that might have been available to Steep Rock have gone to Tilden because of the investment by Algoma and Stelco in Tilden. Of course, Eveleth is 16 per cent by Dofasco and 23.5 per cent by Stelco and Hibbing is 6.77 per cent Stelco. Is that the key to our problem?

Mr. Lamb: The key to our problem is those decisions were made, and it is not my position to defend Algoma, Stelco or anybody else.

Mr. Renwick: I understand.

Mr. Lamb: I can explain that relationship a little bit further down the line, too. But their requirement, in their judgement, was best filled in the early 1970s by one taking the position in the Tilden operation as it came onstream. That is where the 30 per cent that Algoma owns in Tilden developed. That

examples, at least on the surface to us, are where a foreign controlled company decides to close its Canadian operation and produce in the other country that will be nameless for now. The other area--and I think this has happened occasionally--is where a company has bought one company and shut it down soon after purchase. Certainly, I have difficulty with that just as you do.

I do not want to sound like I am supporting MacMillan Bloedel's decision. I do not know the first thing about that. I imagine in a company of that size and with its track record, that one hell of a lot of investigation and earnest consideration went in to the subject before the announcement of the closing of that operation. I do not think that company is in business to shut plants. They are in business to make money.

Mr. Mackenzie: Whether they needed to close or not, they sure as hell did not communicate with the workers in that plant.

Mr. Joyce: Okay. Let's divide it into three subjects, if you like. I am talking about this subject right at the moment. Some foreign controlled companies may well do that, I do not know, but it is not my experience. Companies are in business to make money and they are in business to keep plants operating if they can. That is what they are there for and I cannot believe they would just wake up one morning and say they are going to close that plant.

Mr. Renwick: Mr. Joyce, I know we perhaps have information you do not have. I just find on the face of it, offensive to me that Steep Rock came before us today. We have the financial statements before us. They are owned by CP Enterprises, or CP Investment and I look at the financial picture for 10 years and they have made more money in the last three years, earnings before extraordinary items, and net earnings than they made at any other time in the past 10 years. Their previous highest figure of net earnings was in 1970 when they recorded a profit of \$3,545,000. Then they have varying figures in between. In 1977 they have \$4.5 million. In 1978, \$6 million and 1979 they have \$9 million.

I know there are some extraordinary items in there, but I think if you analyse it and extract the extraordinary items and so on an so forth, you have a company which has shut down, with a balance sheet which shows at the present time that if they pay off every cent they owe, they have nothing but cash or readily convertible into cash of \$56 million.

They come to tell us that they did a really good job. They gave us the figures of the displaced workers and who went out west, who went down east and who is still looking for a job and who is taking retraining and who found some half assed job in the local area up there. They think they have done a superb job. I do not understand it.

Mr. Joyce: Why did they say they closed?

Mr. Renwick: Why did they close? They said it was not economic. They have had the highest prices for iron ore and all the rest of it, but anyway they are going to wait now until it becomes economic for whatever reasons. You say they are in business to make money. They made more God-damn money in 1979 than they have made in the years we have in front of us and they are closing down. They have carefully done it over a period of time. They have \$56 million socked away in the bank.

Did anybody say that the workers somehow or other were hurt? The compensation for being hurt is not just severance pay which they negotiated after the announcement. It is not just some kind of, "Well, we are happy that you have gone, Joe. Go out west. Go west young man and you will pick up the job out there." Nobody ever thought of saying to them, "Look, take at least \$10 million and ease the readjustment. Take \$20 million CP Investments." Because CP Investments, so far as we can tell, made \$422 million last year. They own Steep Rock and they own Algoma Steel.

Algoma is buying their iron ore or whatever the hell they buy, south of the border. For how long? They come here and sit here and tell us they are buying it, they think, on a 30-year contract.

I am not arguing with you Mr. Joyce. I do not ask you to share it. I am asking you to share with me why I am crazy, why I do not accept these particular mores as everybody else does. They tell me that is all we have to do, our job really, is to deal with, if you read the minister's statements about this select committee, improving the severance pay and maybe improve the degree of notice that was given.

We were told we will not be touching pensions because the Royal Commission on pensions someday is going to report something. We are just supposed to accept what happens to the people. Mrs. Coombes was here from Armstrong Cork. She and her husband and another member of the family spent--

Mr. Martel: Six members of the family.

Mr. Renwick: When you add it up they spent over 100 years making carpet up there and they walk away with pensions which are just--

Mr. Martel: Eighty-one dollars for Mrs. Coombes after 24 years.

9:20 p.m.

Mr. Renwick: Just frightening. All I am trying to convey to you is that I think and it is not just my party, I am not saying that, I think there are some members of this assembly from all of the parties who think there is something fundamentally wrong when that kind of decision can be made.

SKF is cutting out that plant which employs 300 people, Mr. Joyce, and they are going to make more money next year than they have ever made in Canada. Their sales in Canada were up 30 per cent last year and they are going to be up again.

Mr. Joyce: I am not arguing with you because I know you have the facts in front of you.

Mr. Renwick: The statements I make are accurate with respect to the evidence we have received.

Mr. Joyce: Whenever you throw \$3 million or \$6 million at me though it does not mean an awful lot until you talk about return on investment. Three million dollars to General Motors is not very much.

Mr. Renwick: SKF said the same thing as Armstrong Carpet. They could not make the target return on investment which was expected. In the case of SKF, it was by the Swedish company, and in the case of Armstrong, by Armstrong World Industry. Presumably in the case of CP Investments or Enterprises, it was the same thing. They couldn't make the return on the investment. That gives them some God given right according to them. You would think it was one of the 10 Commandments.

I do not understand it and the mores of this province and the attitude. I hope this committee will play some little part in changing the mores and attitudes of people toward this thing.

If we could get a case history of every worker at Armstrong, every worker at Steep Rock and every worker at SKF and follow them for the next five years, you would say to yourself, "What in God's name do people spend their working lives doing to get this kind of pittance?"

Mr. Joyce: Mr. Renwick, I do not know whether that is specifically within my terms of reference. I would think it is not, but certainly, I think a very important part of my program is to do that historical review.

Mr. Renwick: I am finished Mr. Chairman. I think I got carried away.

The Vice-Chairman: Thank you Mr. Renwick.

Mr. Armstrong: Mr. Joyce was going to add something in his response to Mr. Renwick. Perhaps he could finish that response.

Mr. Joyce: I just wanted to say, that there aren't very many studies on this subject. I don't know if you are familiar with them, but for example, Armour in the United States did quite a job of studying the impact on the worker over a historical period. There was the Kelvinator study here in Ontario. I think we could benefit a lot from having a look at that type of thing in the future. I certainly plan on that being a part of my program.

Mr. Martel: That was my first question, Mr. Chairman.

The Vice-Chairman: We now have two people on the list, Mr. Martel and Mr. Van Horne. I might also remind the committee that we have almost gone an hour and a half. We still have Mr. Scott to hear from too.

Mr. Martel: I only have about three questions. I think I hear Mr. Joyce saying that nearly everything has to be measured on the balance sheet. Some of us think there is a social responsibility to this society as a price of doing business in this province. That cannot be overlooked. We never really tried to get to the bottom of it.

I recall when I sat on the select committee about Inco and some of my colleagues were on that committee. I suggested over and over again during that time, that there should be a social impact study done on what happened to the families and the people in the region of Sudbury when 2,400 men from Inco and I guess about 750 from Falconbridge were dumped at the same time.

I was just looking briefly at this report of the studies done from 1970, dated October 26, 1976, at Johns Hopkins in the United States. It indicates a one per cent rise in unemployment was related to a 4.1 per cent rise in suicide and a 4.3 per cent rise in the admission to mental institutions. A 1.4 per cent increase in unemployment statistically related to 51,570 total deaths, including 1,740 additional homicides and 1,540 additional suicides and 5,520 additional mental hospitalizations.

We never measure nor do we seem to be really concerned with what the hell happens to a family or to a man. It's the same with the Workmen's Compensation Board. I had a study done for me by Laurentian University last year of what happens to families who are on compensation. Out of the 20 cases we studied, two attempted suicide. Those sort of things are never done on the impact on a worker who doesn't have skills. Even if he does have skills, it's really immaterial. We heard today about Atikokan retraining men and yet when I spoke to the union, they said: "Big deal." Most of them already have one or two skills but they have no place to use them. We will set up a welding course and we will set up a carpentry course but if there is no place to work, staying in school for an additional six months doesn't matter a tinker's damn. Things like severance pay really are a Band-aid to a long term problem. What the hell good is severance pay if the man ultimately at the end doesn't have alternative opportunities for employment?

Mr. Joyce: I couldn't agree with you more.

Mr. Martel: So severance pay, although it's necessary, isn't what's bothering me. What is bothering me is that people need a job and so if the balance sheet is only three per cent this year and three per cent last year, I think we have to look back 10 and 12 years to see what the balance sheet has been over a 10 or a 15 year period. They don't offer a worker any more when the profits are extraordinarily high. They only offer what's in the contractual arrangement but they are damn quick to shut down

as Armstrong is doing when it's only a three per cent return and they want 10.

I guess what bothers me and I want to raise the question is: Are you prepared to order long-term studies into Armstrong, or into SKF, whose workforce is extremely old in terms of years, to find out over a three or four year period what's happening to those families? Are you prepared to say: "We are going to start the social impact studies now on four or five companies so that we can, not only in addition to what this committee is doing, get a handle on what happens to people in the real world?"

Mr. Joyce: I am prepared to do that. Yes, I am prepared to recommend it. I don't know whether I can order it.

Mr. Martel: It is not in your terms of reference to say that I will have a group follow those workers and their families for the next four years?

Mr. Joyce: I can't answer that with certainty but I can't imagine that I will have difficulty in getting it done and I think it should be done.

Mr. Martel: I am just going through these studies and we don't have the full study--just a summary of each of them. The other problem is that men over 45 are having one hell of a time. When you close a plant down and the age factor is 45--in fact it's intriguing--it says in one of the studies here if you are over 45 and you have spent a long period with the same company, your chances of finding alternative employment are less. Being a good worker and a responsible worker in a corporation and having established a certain set of skills is a deterrent in going out and finding alternative employment.

Mr. Joyce: The skills are fixed.

Mr. Martel: Yes. They have age against them and they have longevity with one company against them and it reduces their possibility of finding alternative employment. One would think it's just the opposite. If you know that a man is a good employee and he doesn't miss much time--we had one fellow I guess it was from SKF who said he had never been late once in his 32 years. That's an indication of a man who has contributed and taken a real interest in his work and this poor fellow is going to have \$229 a month pension less six per cent a year for five years reduced. It won't even pay the rent. I think from your perspective, you have got to look at the consequences. It isn't just dollars and cents. It's the social impact that these decisions have on people.

Mr. Joyce: Mr. Martel, do you have any comments coupled with that or any suggestions that I might consider on relocation of employees?

Mr. Martel: The thing that I found in here is that most committees have not been very successful in relocating or finding alternative work for employees. That is disturbing because I think when these joint committees are established there is great hope that out of it it's going to lead to alternative employment. That's not happening, so it means we have to strengthen that rather substantially.

Mr. Joyce: Geographic location.

Mr. Martel: The studies they did indicate that most of the committees weren't successful in obtaining alternative employment and retraining isn't the answer. That's the difficulty when you have got 300,000 people unemployed.

Mr. Joyce: It's not the total answer.

Mr. Martel: What do you retrain them for? There has to be jobs and I think that's what this committee has got to grapple with. How do we create those job opportunities. That's why I asked earlier about how far you are prepared to go in saying we have to get involved.

Let me give you an example. Heintzman Piano was before us the other day and they have had some bad experiences with some management. They have now consolidated. The president feels that with new approaches the market is there and his problem is a short-run problem, about \$1 million. If you lay off 95 workers, let's say, for a year and they draw \$100 a week unemployment insurance, at the end of a year you have paid for a government purchase of an equity in a company like that. To me the question comes which is better--to throw a work force out of work and pay unemployment insurance, severance pay, welfare, a whole series of things, or are you better trying to invest \$1 million, take an equity, with the option to purchase back eventually if the company is successful. Because, no matter what happens, you are going to pay \$1 million in benefits in the short run anyway.

I am not suggesting we go in and try to be the boy who puts his finger in the dike to hold back the ocean but all of those things have to be looked at carefully. If we are not looking ultimately for jobs, things like severance pay and unemployment insurance really are just Band-Aids to the problem. The emphasis has to be on creating work and maintaining companies.

I talk about SKF. That is the classic multinational that is going to serve its market from some plant abroad and shut the doors here in Ontario. That has been looked at over and over again. Look at National Steel where there is a long run production.

I look at Inco which has made literally billions here. They have a little downturn so they just throw 2,400 people out for a year or so. One never takes into consideration all of the years they were making money. I started working at Inco in 1954. I believe their profit that year was \$85 million. I cannot recall a

year since then that they have made under that, but they have a bit of a downturn and zap--2,400 guys are out. What is the social responsibility of a corporation like that to the community it serves?

I think the other thing that bothers me though is our whole attitude that free enterprise has a right to do what it wants. It does not do that in Europe but it certainly has a field day here.

The Vice-Chairman: Are there any more questions, Mr. Martel?

Mr. Martel: Yes, maybe one. Retraining.

Mr. Joyce: For what?

Mr. Martel: Jobs.

Mr. Joyce: For jobs in the community or the province or the country? That is where I get a thrust on training and relocation of the employee. Maybe we do have to get into central funds to do that. Certainly a better job can be done but I do not think very much has been done by anyone in this area of relocation.

Mr. Martel: Okay, one other question. How do you intend to report? Do you report directly to the minister and is the Legislature going to get any of your reports?

Mr. Joyce: I report to the ministry.

Mr. Martel: Maybe the deputy minister could indicate if the reports will be made to the Legislature.

Mr. Armstrong: That would then be up the minister to determine whether the reports would be of benefit to the Legislature or a committee of this sort. I think you would have to ask the minister that.

We were talking about an initiative that was announced a few weeks ago. Mr. Joyce has already said he is very much in the embryonic stage of planning this thing. He has shared with you a few initial thoughts he has but as this program develops, I think the reporting relationship, which is clearly with the minister, will become more firmly defined.

Presumably the minister will be interested in using the report, not so much for the edification of the members of the Legislature but for determining how it is possible to achieve the primary goal, which is to see whether jobs can be preserved. It will depend, I suppose, on the nature of those reports, on the nature of the co-operation he is receiving from industry in complying with the recommendation from Mr. Joyce--

Mr. Van Horne: He has no mandate to accommodate this committee. Really what you are saying is that his mandate is to get back to the minister.

Mr. Armstrong: You may have judged that Mr. Joyce is a pretty pragmatic practitioner in the field. I do not want to denigrate the work of this committee but his job is to do the very best he can within government, bringing together the resources of government and bringing to bear his experience in industry to attempt to do a better job to mobilize resources and to persuade people as to what has been done in the past. I think the minister's statement indicates the approach in the past has tended to be not as well integrated as it might have been.

Mr. Van Horne: Could I pick up from there? I do not know if Mr. Martel is finished but I hope he is.

A couple of words bother me. You have been described, Mr. Joyce, as a pragmatist in one sentence and as embryonic in another. If I put these things together I would submit that a pragmatic embryo has one function and that is to survive. That is being very unkind and prejudging, I know, but having sat in on bits and pieces of the discussion this evening I get the impression that you have a huge job to do. I am partially convinced but greatly concerned that you may not have the staff or resources to do anything that is going to be meaningful, other than perhaps give an appearance of concern to the government.

9:40 p.m.

Then sometime in the next few months an election comes and there will be some restructuring and away we go. You are thanked summarily and take on another task. I would hate to see that happen. I think you have a little more substance than that. But I am really concerned about the dimension of the job and the resources that you have. It is a huge problem too.

Taking a look at a handful of these many pages indicating the closures and listening to the questions of my colleagues about all of the ramifications about relocating, restarting, refinancing and any number of other problems, how big a staff are you going to have and what kind of budget do you have?

Mr. Joyce: That is still in the development stage. But I would not want you to overlook the fact that I call on the staffs of various ministries as well.

Mr. Van Horne: I am not too cheered with that prospect. I think they have other jobs. Surely they will accommodate you, but somewhere along the way I see this as something that is going to grow bigger than just you. Perhaps the person who is with you--

Mr. Joyce: We already have plans for more than that but just what the extent of the staff will be, I cannot say at the moment. You certainly are not overemphasizing the magnitude of the job, I can tell you that.

Mr. Van Horne: This ties back in with the question from Mr. Martel. You are not here to accommodate this committee. On

the other hand, as we proceed in the next few weeks, we are going to be coming up with some form of interim type recommendation and hopefully beyond that we will come up with some major recommendations in the next few months.

I would hope that if any of these can apply to you in terms of assisting or perhaps indicating a direction that you might pursue, would demand that there is staff there to accommodate it. Has the minister said, "Come back and tell me how many you need? Tell me how much money you need?"

Mr. Joyce: Yes.

Mr. Van Horne: So it is not really carte blanche but you at least have the opportunity to come back and request.

You have spoken of companies going beyond "the legislative base." The implication there would be that perhaps the legislative base perhaps is not adequate. If they are going beyond it, they are obviously not complying with the law. Are they breaking the law? Is the law not adequate? Where is it not adequate? Are you able to say what you have said with whole hordes of evidence to back up that kind of comment? Are you prepared to make suggestions to us as a committee for changing the existing legislation?

Mr. Joyce: I am prepared to make recommendations to the ministry. With respect to your comment that because companies go beyond the base of legislation and therefore is legislation inadequate--

Mr. Van Horne: I may be putting words in your mouth but that is what I took out of your comments.

Mr. Joyce: I was saying there that when a company closes, certainly a responsible company, there are many more facets that are looked at in relation to the employees than just severance pay and notice and certain pension rates that I have heard discussed here tonight or in the last few days.

Mr. Van Horne: So you have evidence then that companies have gone beyond the law.

Mr. Joyce: Very definitely.

Mr. Van Horne: So if we are looking for assistance, you may be asked by the committee to come back with specifics if we feel you have them.

That leads to another question then. If these companies that have gone beyond it, are not responsible companies then how might you describe a responsible company? That is a pretty philosophical type of thing to throw out to you at quarter to 10 in the evening but would you be prepared to describe for us what you would characterize as a responsible company?

Mr. Joyce: In terms of the employees after they--

Mr. Van Horne: In terms of how they treat the employees when they say, "This is it, we are closing. Thank you very much, it is all over."

Mr. Joyce: They recognize there is more to it than just the hourly rate of pay up to the hour the man leaves the door. They recognize that he has contributed in the past, and while there are financial limitations, they are prepared to give some recognition for the previous service he has given and for the problems he will have in the future.

Mr. Van Horne: I think we would all agree with that. It is something, however, we would want to pursue if we had more time.

I have one final question, Mr. Chairman. Again, it may not be fair to ask this with such a short timeframe but you suggested there are some problems with foreign-owned firms purchasing Canadian firms, or being involved with Canadian firms. What kind of tack are you prepared to take in going to these foreign owners for information, and they refuse? What kind of tack are you prepared to recommend the minister take in cases such as that?

Mr. Joyce: I did not say there were problems with that. I have not encountered that yet. I said it gives me a problem. I said there were the two types of closings that gave me the problem.

Mr. Van Horne: The problem is we really have no jurisdiction so it is tough, is that it?

Mr. Joyce: Oh, no. The problem I was trying to explain was the question of why those decisions are made.

Mr. Van Horne: But how, then, are you given your mandate in trying to get that information? Do you have any avenues open to you that you are aware of?

Mr. Joyce: I do not have any authority avenues. I have not encountered the problem yet, either.

Mr. Van Horne: You indicated at the outset that persuasion would be one of your main tools.

Mr. Joyce: Right.

The Vice-Chairman: I would like to thank Mr. Armstrong, Mr. Joyce and Mrs. Burak. I thought they would have had a question for you, Mrs. Burak. I hate to see you go scot-free. I would like to thank all three of you for attending this evening, and thank you for your co-operation and comments. I hope you have heard some very interesting comments by some of our members too. Thank you very much.

Mr. Joyce: Thank you very much. It has been helpful.

The Vice-Chairman: I wonder if I could ask Mr. John Scott, director of the employment standards branch of the Ministry of Labour, to come forward. Mr. Scott, have you any other people you would like to have come forward with you?

Mr. Scott: Perhaps Mr. Hess would come with me.

The Vice-Chairman: We will pass out Bill 91, An Act to amend the Employment Standards Act, 1974. Mr. Scott, have you any opening comments you would like to make?

Mr. Scott: No, I have none, sir. I would be glad to respond to any questions. I am sure I speak for Mr. Hess as well.

The Vice-Chairman: You will never get into trouble that way. So we are open for questions from the committee.

Mr. Martel: Let me ask one question. Do you have your own studies which indicate that committees have not been very successful in enticing people. One of your recent reports within the last couple of years was an Ontario study by the 1975 redundancy and re-employment success; a survey of research. It was not very glowing in terms of what you found out.

Mr. Scott: That is a report which, I believe, was put out by research some years ago. I am not capable of commenting on something that I do not have before me.

9:50 p.m.

Mr. Martel: What I am leading to, Mr. Scott, is the success rate in placing people--whether it be in Montreal, the United States or elsewhere. In the report--and I apologize for just giving you a summary of it--it is indicated there has been some difficulty in really finding employment opportunities for those people. Despite the committee being established, the success rate has not been very high in finding alternative employment. In fact, the studies indicate that for employees who were a part of the study, and a control group, the rate was about the same in finding jobs. What leads you to believe that inserting this committee will prove more successful than previous committees have been, although they were not mandatory before?

Mr. Scott: I may stand to be corrected here, but I do not think the amendment will create the situation you are speaking of. I think it strengthens the act in requiring committees to be formed. That is a deficiency in the present legislation. That mandatory requirement is not there, either in the federal or provincial legislation. I think in certain instances it would be desirable for the minister to have that authority to require parties, both employer and employee, to participate in a committee as he would wish.

Mr. Van Horne: On a point of order, Mr. Chairman: We have a bill in front of us that has been introduced for first reading. I am not sure that it is proper--I am not all that

knowledgeable about legislative procedure but it strikes me to get into discussion on any part of the bill before it goes for second reading and is either referred or whatever, is a little extraordinary. I question whether or not we are doing the proper piece of business in discussing it here in this committee. I would like some advice on that.

The Vice-Chairman: In discussion with the clerk I am told we are not discussing it on a clause-by-clause basis. I think the mandate of the committee would allow us to discuss this bill. I think it is mainly a discussion on it. I do not think our discussion will change the bill in its present form. That can only be done after it goes for proper readings and discussion in committee. Mr. Van Horne, I respect your thoughts on it. Do any other committee members have any comments?

Mr. Van Horne: I would just like to add one further point, though. This is not an extremely controversial piece of legislation, but it is possible that someone may have a minor or major amendment, who knows? If debate is taken from this committee to prove a point for someone who might disagree with that amendment, that in fact there was some kind of consensus at the committee, I am not sure how fair or proper that would be.

Mr. Mackenzie: I see it as nothing more than a working paper which just fleshes out a little bit the recommendations that were in the minister's comments in the House. I certainly do not think of it as being any final document, or anything else.

Mr. Van Horne: I am not a lawyer, but I am asking the deputy how often he does this?

Mr. Armstrong: It occurred to me when Mr. Scott was asked to come before the committee--I was not clear of the nature of the questions that were going to occur. If there is going to be any probing analysis into the advisability of the particular legislation the minister has introduced, it would be rather unorthodox to get into what in effect is a second reading debate or, indeed, a clause-by-clause debate. Having said that, we are here. If we had not come I suppose we could have been forced to come, but we are here to co-operate.

In response to Mr. Van Horne's comments, like Mr. Van Horne I was a bit mystified as to precisely what the nature of the discussion was going to be and how the staff of the ministry was supposed to contribute to the accumulation of wisdom on the subject of this particular quorum.

The Vice-Chairman: I wonder, then, if rather than discussing the bill at all we could discuss the minister's comments that were made in the Legislature. Regarding Mr. Martel's comments, that would be rather difficult without having the minister here. I am in the hands of the committee. What would you like to do?

Mr. Ramsay: Could I suggest we ask Mr. Renwick on this because, if I am not mistaken, it was Mr. Renwick who suggested that Mr. Scott come before us. Am I correct or incorrect in that?

Mr. Renwick: I do not recall that I suggested it. The only light I can throw on it is the chairman discussed with me at some point whether or not, when the legislation was introduced implementing the minister's statement in the House, it should come before this committee in order to complete it. I had a brief discussion with my colleague Mr. Mackenzie about it. Mr. Mackenzie's view was he wanted to have it referred to this committee but he did not want to have it delayed in any way. I do not think I was particularly aware of the conundrum which Mr. Van Horne has raised which, I think, has some merit when we asked Mr. Scott to come before us. Now that it has been raised I do not think it is going to do any harm by talking about the bill. On the other hand, I do not know whether or not it is going to be very productive.

Mr. Van Horne: I think the bells will soon be going, Mr. Chairman.

Mr. Mackenzie: There is one question I wanted to ask.

Mr. Van Horne: Mr. Chairman, I will gladly defer to Mr. Mackenzie. I want it understood that I am not trying to delay Bill 191. That is not the intent of my question. It is a procedural question that I raise, and a procedural question only.

The Vice-Chairman: While the gentlemen are here, Mr. Mackenzie will have the floor.

Mr. Mackenzie: My perception of the minister's statement, and I do not want to go by the bill but it is backed up by what I see in the bill, is that while I do not knock any of it it is really plugging what I see as loopholes in the legislation. It is simply putting in force what most people thought was already there in terms of the kind of benefits they get, the coverage they get during the notice period. There may be some slight adjustments in terms of the pension and making the manpower committees mandatory. When we talked about that most people thought they were there. Most people thought that any additional benefits they had were covered for a certain period of time. When he made his statement in the House, and what I see here, says to me that all we really have done is cleaned up what most people anticipated was already there. Am I way out?

Mr. Scott: You are partly right.

Mr. Van Horne: Tell us where he is partly wrong.

Mr. Scott: I do not think that would be a correct statement, Mr. Mackenzie, with respect to the maintenance of benefits where a person has been terminated by pay in lieu of notice. At that point in time that envisages a complete termination. Frankly, the legislation says a person who is terminated in that manner is terminated contrary to the legislation, and contrary to the intent of it, and that is to give notice and let the person work out the notice to lessen the impact on the community when they are dislocated.

An important part of that package is the maintenance of benefits for the person for the period of notice that he did not receive and should have received in accordance with the legislation. That was in the legislation.

Mr. Mackenzie: I am not sure the uninitiated did not think it was there, though.

Mr. Scott: That could be. I guess I cannot speak for those. But the part of the bill with respect to the deeming of contributions to be wages for the purpose of ensuring that money can be collected, that certainly is new. I do not think it is within the legislation. Those two things certainly were not plugging loopholes.

Mr. Mackenzie: You have made one or two very slight improvements then.

The Vice-Chairman: Do any other members have questions? I would thank the members, the gentlemen and the ladies for helping save the chairman. Thank you very much for attending this evening.

The committee adjourned at 10 p.m.

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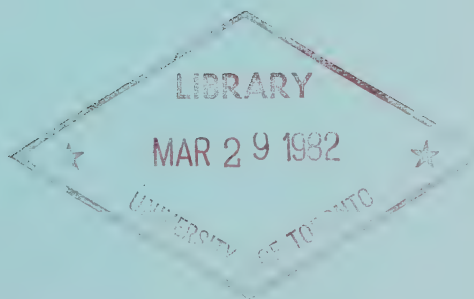
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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

OUTBOARD MARINE CASE STUDY

WENESDAY NOVEMBER 26, 1980



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)

VICE-CHAIRMAN: O'Neil, H. (Quinte L)

Cooke, D. (Windsor-Riverside NDP)

Cureatz, S. (Durham East PC)

Mackenzie, R. (Hamilton East NDP)

Mancini, R. (Essex South L)

Ramsay, R.H. (Sault Ste. Marie PC)

Renwick, J.A. (Riverdale NDP)

Taylor, G. (Simcoe Centre PC)

Turner, J. (Peterborough PC)

Van Horne, R. (London North L)

Williams, J. (Oriole PC)

Substitution:

Martel, E.W., (Sudbury East NDP) for Mr. Cooke

Also taking part:

Eakins, J. (Victoria-Haliburton L)

Clerk: White, G.

Assistant to the Clerk: Eichmanis, J.

Researchers:

Fletcher, M.

Jennings, R.F.

Witnesses;

From the Outboard Marine Corporation of Canada Limited:
Groombridge, L., President

From the United Steelworkers of America:

Cooke, S., Director, District 6

Farley, F., Vice-President, Local 5068

Joiner, B., Secretary, Local 5009

Stewart, J., President, Local 5009 (Outboard Marine
Production)

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

WEDNESDAY, NOVEMBER 26, 1980

The committee met at 10:16 a.m. in committee room No. 1.

OUTBOARD MARINE CASE STUDY

Mr. Chairman: I will call the meeting to order. We have a quorum. I would like to ask the committee's indulgence as I make two observations which I hope that we can pick up and discuss as a committee at lunch today. That is a reminder that the committee is having a working lunch in the building from 12:30 until two today in room 230.

Mr. Renwick: You can have my presence for half an hour.

Mr. Chairman: After we attempted to find time for breakfast or dinner or any particular time and found it was not going to work that we would get everybody, we opted to just go ahead for an hour and a half today. If people can be there for at least half an hour it would be appreciated.

There are two things I would ask you, please, to try to keep in the backs of your minds to speak to at 12:30. Rick Jennings has been preparing increasingly good and relevant material. He must find himself in frustrating straits daily when he wants to discuss some of this and some of the other things he is doing with the committee. I think it would be appropriate if we started off at 12:30 giving some time to the staff to just let them inform us what they have been putting together and the thoughts they have for the future.

The second point--and I think it will be a relevant point to discuss at noon today--is the question of the umbrella or broad type of submissions that hitherto we have opted not to accept, preferring to go, as we had agreed, on the case study basis. I think our timetable would permit a couple of days where we could hear the broader Ontario Federation of Labour or Canadian Manufacturers' Association type of submissions and speak to our interim report. We should be trying to get our heads around that interim report and at least have some idea of the specific topics we would like to speak to.

Let us do that at lunch and, if it is agreeable, now the committee will just carry on with our witnesses for today. I would remind you that we are spending the whole of the day on Outboard Marine. Mr. Renwick?

Mr. Renwick: Two matters--I am not concerned about when we deal with them. It seemed to me after the Steep Rock presentation that we should seriously consider calling a senior officer of Canadian Pacific before the committee at some point. Whether or not it would also be advisable to have a senior

financial officer or a person from Algoma, I do not know. That is the one point.

The second point is the question of the submission made by counsel for SKF that we not ask for the financial statements of SKF Canada Limited for the last 10 years and the reasons for that. I think we must consider and make a decision about that matter.

Mr. Chairman: There are a couple of other items then to think about between now and 12:30. Let us speak to those. There will be other points too that we will have to talk about at lunch.

We are discussing Outboard Marine today and our first witnesses and guests are Mr. Groombridge, the president, and Mr. O'Connor, the director of industrial relations. On behalf of the committee, welcome. We appreciate your taking the time to assist us in our work.

Mr. Groombridge, I understand, sir, that you have an opening statement.

Mr. Groombridge: Yes.

Mr. Chairman: If you would proceed on, we are in your hands. As you know--I think you know--members of the committee would like an opportunity this morning to ask questions.

Mr. Groombridge: Would you like copies of the brief before or after?

Mr. Chairman: At this time, if we could, please. The clerk will distribute them.

Mr. Groombridge: Mr. Chairman and members of the committee, it is a pleasure to have the opportunity to appear before the committee to present to you background information with respect to various changes to Outboard Marine Corporation of Canada Limited and Outboard Marine Corporation over the past few years.

My name is Leslie Groombridge. I am the president and general manager of Outboard Marine Corporation of Canada Ltd. I have been with Outboard Marine Corporation for 38 years and am a native of Peterborough. In addition to my position with OMC, I am chairman of the Peterborough Industrial Development Corporation, a member of the executive committee of the Ontario division, a member of the National Advisory Council of the Canadian Manufacturers' Association and a member of the Board of Governors of Sir Sandford Fleming College.

With me is Mr. Richard O'Connor, our director of industrial relations. Prior to his joining OMC four years ago, Mr. O'Connor spent several years in the industrial relations field in the Canadian automotive industry.

10:20 a.m.

Outboard Marine Corporation of Canada Limited was first

established in Peterborough in 1928 with 30,000 square feet and 17 employees. Currently we employ 950 and have 650,000 square feet of manufacturing, warehouse and office space.

In appearing, we are interested in:

(a) The health and future progress of manufacturing in Canada and the contribution which we as a company can make towards that goal, together with the continuing success of our products, Johnson and Evinrude outboard motors;; OMC Stern Drives, and Lawn-Boy power mowers; and

(b) That hearings such as this and future government action, whether it be at the provincial or federal level, encourage investors and manufacturers to continue and/or locate their manufacturing operations in Canada.

A pure, simple, economic fact of life is that no industry or business can continue to operate in any location if that business is not economically viable. We must keep that fact in mind as we deliberate on addressing the question of Canadian employment and the relative actions which should or, vice versa, should not be taken.

The following is some history and background on our operations in the past few years, much of which has already been adequately publicized; however, a repetition of it may assist the committee in bringing the total picture of our operations into focus rather than a single concentration on our most recent changes. We believe it will also show our efforts to remain a viable entity in today's industrial environment.

I will go through our operations review.

Employment history: Ten years ago, our employment averaged 1,750, compared to 1,150 in our most recent fiscal year and current employment of 950. The reductions in employment in this period were due to the worldwide discontinuation of the snowmobile product in 1975, the sale of the Pioneer chain saw product line in 1977 and the reduction of nonproductive staff and the transfer of certain manufacturing operations to other locations commencing in March 1980.

The reduction in employment subsequent to the sale of the Pioneer product line was partially offset by an increase in the quantity of outboard motoes produced in Peterborough for the world export market of just over 5,000 in 1976 to a peak of 34,000 units in 1979, and the manufacture of chain saw components for the new company, Pioneer Chain Saw Corporation Incorporated.

Snowmobiles: In March 1975, Outboard Marine Corporation of Canada Limited announced the discontinuation of the manufacture, in both the United States and Canada, of the Johnson and Evinrude snowmobiles after completion of the production of their 1976 models.

Worldwide industry sales of snowmobiles had declined sharply over the previous five years, and most, if not all, manufacturers,

including OMC, had been incurring losses from operations. The long-continuing problems resulting from overproduction, excess inventories, and depressed prices which had plagued the industry had not been resolved as soon as was anticipated. With industry sales projected for the foreseeable future at lower levels than ever before, and long-term interest rates at increased levels, it was determined that improved asset utilization would be achieved by concentrating resources on the expansion of other segments of our business.

The facilities then used for the manufacture of snowmobiles were utilized for increased production of the company's other product lines.

It is a matter of record that at the peak of this business in the early 1970s, there were between 80 and 90 manufacturers of snowmobiles throughout the world. Today there are seven or eight manufacturers who are still plagued with substantial annual volume and profitability variations.

Chain saws: In June 1977, Outboard Marine Corporation announced that the manufacture of Pioneer chain saws would be discontinued when the then current production schedule was completed. A similar decision was made at that time to discontinue the production of Cushman golf carts manufactured in Lincoln, Nebraska.

It was our projection that worldwide industry sales of chain saws have stabilized and were not anticipated to reflect significant growth for the foreseeable future. In the increasingly price-competitive market, we determined that it was unlikely we would achieve sufficient volume to generate adequate earnings. The company had reported losses from chain saw operations in most of its recent years.

Outboard Marine Corporation subsequently sold this product line, as well as one of its manufacturing facilities, and machinery, equipment and tooling dedicated to chain saws to Pioneer Chain Saw Corporation, which has continued its manufacture. Subsequently, the majority of shares of Pioneer were acquired by Electrolux AB, which manufactures other brands of chain saws in the United States and Sweden.

Outboard Marine Corporation of Canada Limited is a major supplier of component parts to Pioneer.

Rationalization of OMC's worldwide operations: In April of this year, OMC announced a continuing deterioration in earnings and that drastic action was required to ensure the future viability of the company.

At the same time, Outboard Marine Corporation of Waukegan, Illinois, announced it was instituting immediate major programs to consolidate operational functions and to improve overall operating efficiency. These programs resulted in significant layoffs and terminations of both hourly and salaried employees worldwide.

The reduction in employment rolls was being accomplished by

a thorough review of each department designed to re-establish the company's profitability on a long-term basis. OMC expected its worldwide employment at the conclusion of this review to approximate 10,000 employees as compared to an average employment in its 1979 fiscal year of approximately 13,700. At September 30 of this year, worldwide employment was 9,652.

This action followed the continuing review by OMC of the utilization of its manufacturing facilities on a worldwide basis.

That review resulted in the following actions being taken by the company: a closedown of the stern drive facility in Waukegan, Illinois, and a transfer of its manufacturing and assembling operations to larger and more efficient plants in the United States; the closedown of the die casting facility at Galesburg, Illinois, and transfer of that work to the modern Johnson die casting plant in Waukegan; the parts and accessories operations at Galesburg, Illinois, were consolidated into the Beloit, Wisconsin, national parts distribution centre and the Galesburg facility was put up for sale; the transfer from the Peterborough plant to other OMC facilities of certain machining operations and, subsequently, the assembly of outboard motors for certain export markets.

Attached are two exhibits on the financial information of the total corporate operations, which is a matter of public record. We have also included the Canadian results, both of which are shown as return on sales and shareholders' equity, which we believe provide a meaningful perspective.

Exhibit I shows the return on sales and shareholders equity of the company worldwide and the dramatic deterioration in the years 1979 and 1980. This deterioration demanded the actions as detailed above.

Exhibit II shows the return on sales and shareholders' equity of the Canadian operations. It will be noted that as a result of the losses incurred by the snowmobile and chain saw product lines, the overall Canadian operations incurred losses.

The results of the drastic actions taken have been manifested in the fourth fiscal quarter, July to September 1980, where, in spite of lower worldwide sales compared to that same period in 1979, earnings per share were improved. I suggest this reversal of our financial deterioration is indicative that the actions required by industry to reduce costs in this era of difficult economic adjustment can ensure its future viability.

10:30 a.m.

Utilization of Canadian manufacturing facilities: Coincidental with the announcement of the transfer of machining operations from the Peterborough plant and because of its concern for the continuing viability of its operations, OMC advised it was embarking on a program to utilize the company's technical expertise and productive capacity in the manufacture of industrial components for other manufacturers. The company believes it is well suited for this activity in view of the fact that it produces

a wide range of highly technical components in the manufacture of its major products.

The Peterborough plant is rather unique in Canadian manufacturing with its integrated facilities, which include aluminum and magnesium die casting, machining, punch press, heat treating, plating, welding, metallurgy and assembly, as well as tool and die and machine design and manufacturing capabilities. Accordingly, an industrial components department was formed to seek contracts for the manufacture of industrial components to utilize its facilities. Exhibit III is a copy of the brochure we have used to promote this program.

OMC has aggressively marketed this program with industries in both Canada and the United States, and has worked with and received assistance from various departments of the province of Ontario and the federal government in determining prospective clients and products. Naturally, many aspects of this program are confidential and disclosure would not only affect negotiations on certain contracts, but would also provide competition with information that may be injurious to our future success.

We are making progress. Presently there are over 250 jobs in the Peterborough operation as a result of this OEM--original equipment--business, which, of course, includes the Pioneer chain saw operation.

Outboard Marine of Canada foresees the possibility of substantial growth in this program. OMC has quoted on certain large contracts which would require certain capital investments. The Peterborough plant is becoming a major supplier of components to the chain saw industry. Positive liaison and certain initial contracts are in process with major industrial multinationals that can develop into substantial contracts and increased employment.

OMC is optimistic this program will eventually result in a return to growth in its work force. Of considerable importance is that a substantial percentage of the production will be import replacement or for export. Further, it will develop a solid manufacturing base separate from the vagaries of the marine and lawnmower markets.

Assembly operations: It is the intention of OMC to continue the assembly of outboard motors and lawnmowers in Canada. Recent confirmations of and changes to tariff classifications have assisted the viability of Canadian assembly.

Industrial relations: OMC has enjoyed good relations with the locals of the United Steelworkers of America who have represented the hourly and salaried employees for 27 years.

Our mutual objective has been to reverse the trend of decreasing employment through a viable manufacturing entity. In fact, during our recent negotiations seniority provisions were broadened to provide more opportunity for continuing employment of employees with higher seniority.

OMC in Peterborough has been an active participant and

supporter of the recently established Peterborough Industrial Training Institute formed to promote the development of more skilled tradesmen for the metalworking industry, as well as continuing our own inplant indentured trades program. The training of new entrants to the work force, as well as the retraining of displaced employees, is essential to the viability of Canadian manufacturing.

Through the substantial layoffs, OMC has provided notice as required under the laws of Ontario. It should be noted that longer notice would have required earlier announcement of the product line discontinuation. Such an earlier announcement in the marketplace would have had a deleterious effect on those product lines and would have caused layoffs at earlier dates. Further, earlier announcements would also have caused earlier attrition and loss of the skills necessary for the completion of the product lines.

OMC has continually apprised the Pension Commission of Ontario and the Minister of Labour that it intends to ensure the required funding to guarantee that all vested pension entitlements shall be honoured. In fact, in recent negotiations, the company further committed itself to increased funding liabilities of several million dollars for improved pensions, particularly for those employees entitled to advance retirement.

Any changes to increase the mandatory retirement age from 65 to 70 would represent undue intervention in the collective bargaining process. It would burden industry with more costly employees and could force the termination for cause of certain employees who otherwise would have made their orderly withdrawal from the work force.

Further, in considering the protection of pensions, a shortening of the 15-year period for unfunded liabilities would be detrimental to the improved benefits to the majority. A company can afford to provide only so many dollars annually out of its income for pensions. In the collective bargaining process, this is recognized. If a shorter funding period were legislated, the annual up front cost would increase and, accordingly, would result in lower benefits for those same annual dollars.

In other words, action to reduce the funding period to provide more protection in anticipation of plant closures would result in lower benefits for the workers continuing in other manufacturing and not affected by such closures.

The Canadian industrial environment: It is unfortunate that from time to time drastic actions must be taken by industry, regardless of the country in which it is located, to ensure the survival of its operations. Studies of North American industries have shown that we must address our operating costs to survive in the worldwide industrial marketplace. I suggest OMC has already taken that action. To support that further, in the November 10 issue of Forbes, where stock analysts categorized most North American industries, OMC was one of 14 companies who were predicted as to be a "recovering star," along with Firestone, Ford, General Motors and International Harvester.

As stated in my opening remarks, we must address ourselves to ensuring an environment which encourages industrial growth and investment in Canada. To reiterate, only viable industries can ensure future employment. The committee's primary concern must be how to encourage industry to invest in Canada. A favourable and less restrictive environment will provide that incentive. A punitive and controlled environment will serve only to discourage present and future investors.

It will be our pleasure to work with any department of the province towards a more healthy and competitive industrial base.

Thank you for the opportunity of making this submission.

Mr. Chairman: Thank you, Mr. Groombridge. That was quite thorough. I had two or three questions myself, but a couple of them have already been covered. May I ask one, though, before going to the committee for questions?

On page six of the brief, in the first point near the top of the page, reference is made to transferring manufacturing and assembly operations to larger and more efficient plants in the United States. The second point is about transferring that work from Galesburg to the modern Johnson die cast plant. Then the fourth point is about the transfer from the Peterborough plant to other OMC facilities.

In this business of transferring, how are those decisions arrived at? What are the key variables you look at when making the transfer decision? I appreciate that the list would probably include some of the predictable things like access to market and plant. I would like to learn to what extent labour and labour costs would be a part of it, if at all.

Mr. Groombridge: They would not be a dominant factor.

Mr. Chairman: Do you have the same union both in Canada and in the US?

Mr. Groombridge: Only in one location in the US. The Steelworkers are only in one of the plants in the US.

Mr. Chairman: What is the major union in the United States?

Mr. Groombridge: It is an independent union at Johnson motors in Waukegan.

Mr. Chairman: This is my last question. It is in the same area. One of the things I have certainly learned in the last three or four weeks on this committee is that there are a lot of myths we have been speaking about. One of the myths that prevails is that the labour rates in the United States are a lot lower than they are in Canada. In your experience, in your judgement, is that correct?

10:40 a.m.

Mr. Groombridge: I do not believe the differences are significant.

Mr. Chairman: We can perhaps touch on that later on today.

Mr. Mackenzie: Mr. Groombridge, can you tell us what government assistance or grants, if any, the company has had, for either your production operation or your export market efforts?

Mr. Groombridge: There have been no direct grants vis-a-vis production assistance or export markets. The assistance has been primarily in providing us with leads, information on prospective work, assisting liaison with prospective clients--primarily in that direction.

Mr. Mackenzie: Is that what you are referring to on page eight of your brief where you mention the province of Ontario and the federal government and assistance by them in determining prospective clients and products?

Mr. Groombridge: Yes.

Mr. Mackenzie: I believe you were into marine engines for export for a period of time. Was there any help at all that you know of in terms of arrangements for the purchase of motors or engines--by Africa in particular? Do you know of any arrangements the federal government might have made to make it easier for these people to purchase your products?

Mr. Groombridge: If your question is related to direct assistance in the purchase of products for export, the world is supplied by various plants throughout the world. I think the one instance you were perhaps alluding to is the Senegal sale back about five years ago. Any exporting we have been doing is through sister companies. We do not deal directly with the export market ourselves.

Mr. Mackenzie: Did the Peterborough plant or the Canadian operation not have responsibility for sales in Africa? I think there was another one too.

Mr. Groombridge: No.

Mr. Mackenzie: The sales were done through a sister plant. Did you supply the sister plant?

Mr. Groombridge: We have supplied sister plants with component parts from time to time but, no, we do not have any responsibility for any marketing outside of Canada. The only time we get directly involved is when there is an aid program sponsored by the federal government. At that time we can become involved.

Mr. Mackenzie: That could be used to assist a nation to purchase Outboard Marine products.

Mr. Groombridge: Yes.

Mr. O'Neil: Could I ask if you do your own marketing within Canada?

Mr. Groombridge: Yes.

Mr. Martel: Have you been discouraged from attempting to export your Canadian product?

Mr. Groombridge: No, we have not been discouraged. There are sister plants and organizations throughout the world and we each have our respective responsibilities. Our marketing responsibility is basically for Canada.

Mr. Martel: But you never attempted to capture any of the world market, aside from Canada.

Mr. Groombridge: If you want to go way back in history, some 30 or 40 years ago we did have some direct responsibility, but as we became active throughout the world it was determined that there should be various locations responsible for, for example, the southern hemisphere, the eastern countries and so on.

Mr. Martel: I would like to pursue this, if I could, for a moment. Do you have a chart or something which would indicate the spheres of interest for each of your operations?

Mr. Groombridge: No, I do not.

Mr. Chairman: Would the annual report show that, do you think? Certainly it is something we could look at.

Mr. Groombridge: I do not believe the sales or the markets are listed there. It lists all of the companies throughout the world, yes.

Mr. Turner: Does it make any breakdown of the division of sales?

Mr. Groombridge: No.

Mr. Martel: What I am looking for, to be quite specific, is, for example, do you have plants in Great Britain or Europe or is that all supplied from various plants within the United States?

Mr. Groombridge: There are plants in the United States. There is the manufacturing facility in Peterborough for Canada. There is a plant in Bruges, Belgium, in Hong Kong and in Bankstown, which is a suburb of Sydney, Australia. Those plants basically supply the marketplace in which they are geographically located.

Mr. Martel: Who grabs, for example, all of Africa then?

Mr. Groombridge: Primarily it is supplied out of the European operation.

Mr. Martel: All of Europe would come out of Belgium then.

Mr. Groombridge: Yes.

Mr. Chairman: Elie, you could have the snowmobile franchise for Nairobi.

Mr. Martel: What I am attempting to find out, of course, is the type of decision which precludes Canada or the Canadian operations from going beyond a small market such as Canada would have, with other competitors involved as well. It is the typical branch plant sort of operation and we supply primarily a Canadian market.

Mr. Groombridge: I believe it comes down to simple economics: A plant located in Europe can sell better to that marketplace than a plant that is remote or in any other part of the world, whether it be Canada, the United States or wherever.

Mr. Martel: I was looking to see if most of your sales abroad were from the United States, as opposed to--that is why I asked where your plants were located. But you have them fairly well strategically located to serve the local market.

Mr. Groombridge: Yes.

Mr. Renwick: Does any of your production go into the export market, even though you have no marketing responsibilities beyond Canada?

Mr. Groombridge: In the last few years--and I did somewhat address this question in one part of the brief where I said, in the middle of page three, that part of the reduction in employment due to the discontinuation of the chain saw product line was taken up by an increase in our production of units for export. In 1976, we produced just over 5,000. In 1979, we hit a peak and we produced 34,000 units for export, sold through our sister companies; in other words, they placed the orders with us and we filled them.

Mr. Renwick: That is what I am curious about, the orders placed with you and who determines the share of the market your sister company gives to the Canadian company.

Mr. Groombridge: It really was not a share of the market. The decision was based on where the units could be assembled at that time.

To try to bring up the perspective of what has happened to our company worldwide, if we go back to the 1975-76-77 period, there was substantial growth in the marine market and it was looking for a facility to provide increased volume for the export market. Part of that was assigned to the Canadian operation. Subsequently, that was transferred--or is being transferred--back to the US.

Mr. Renwick: Could you then explain that fourth item on page six in terms of the discussion we are having, "the transfer from the Peterborough plant to other OMC facilities of certain machining operations and, subsequently, the assembly of outboard

otors for certain export markets"? Tell me how that worked. You got the business for export; in other words, orders were placed on you for export purposes.

Mr. Groombridge: By the sister companies.

10:50 a.m.

Mr. Renwick: You therefore oriented your plant to producing what the orders required, and then they turned around and took it away from you.

Mr. Groombridge: As part of the rationalization, yes.

Mr. Mackenzie: What was the size of the loss to the plant of the Outboard Marine motor operation that you lost for the export market?

Mr. Groombridge: Could you repeat the question?

Mr. Mackenzie: What amount of your business was involved in the export market for outboard motors?

Mr. Groombridge: That depends on which year you look at because, in planning the production schedule for the worldwide operation, it can shift. Back in 1976, the 5,000 was somewhere between, I suppose, 10 to 20 per cent of the production. When you get up to the 34,000 range, then it is substantially more.

Mr. Mackenzie: Was that a sizeable portion of the operation in the Peterborough plant at one stage then?

Mr. Groombridge: It constituted a fair amount of business.

Mr. Chairman: I wonder if I might come in here just to point out to our colleagues that Rick Jennings did pass out a couple of packages. One is headed Amendments to the Employment Standards Act, but inside it the Outboard Marine annual report can be found. I do not know how many of you have yet had a chance to see it; I just saw it.

Some of the information here might help in the questioning. It is this package that we just got last night.

Mr. Mackenzie: I take it you are making a fair drive now for engineering contracts of one kind or another to take up some of the slack in your operation.

Mr. Groombridge: Manufacturing contracts.

Mr. Mackenzie: Manufacturing contracts. Can the plant survive on these contracts?

Mr. Groombridge: We believe it can.

Mr. Mackenzie: At what level of operation or what level of employment?

Mr. Groombridge: It is presently surviving on the current level and we are optimistic that we can turn it around to further growth.

Mr. Mackenzie: You do not think you need a major production line to keep you at your current level of employment?

Mr. Groombridge: We would very much like to have a major contract to supplement what we are doing now.

Mr. Mackenzie: But your perception is that you can operate at the current level on these contracts?

Mr. Groombridge: Yes.

Mr. Mackenzie: Supposing you needed to do some retooling to land a major contract, what authority do you have or what funds are available to you for retooling operations, for example?

Mr. Groombridge: The particular project would have to be analyzed in considerable detail, of course, to determine the amount of capital that would be required in relation to the return from that particular project.

Mr. Mackenzie: Would that decision be yours, Mr. Groombridge, or would it be the parent company's decision?

Mr. Groombridge: All capital decisions are made jointly and it would be made in concert with the parent.

Mr. Mackenzie: If it is your assessment that it is a viable operation, do you have access to the funds or do you have to convince your colleagues?

Mr. Groombridge: At any time in the business cycle, whether it is a time when there is ample capital available or very little available, you have to justify each and every project.

Mr. Mackenzie: In effect, you have no pool of capital that you could call on without the authority of the parent company.

Mr. Groombridge: The pool of capital, again, is one that is worldwide and each project must be made to stand on its own.

Mr. Mackenzie: What independence do you have in terms of decisions in the Canadian operation? Can you, for example, hire staff strictly on your own?

Mr. Groombridge: Yes.

Mr. Mackenzie: With no necessity for head office approval.

Mr. Groombridge: We continuously report employment numbers, the same as we do all accounting numbers.

Mr. Mackenzie: Can you give us an idea of the product lines you have lost over the last two or three years that have

caused some of the problems in the plant?

Mr. Groombridge: The two product lines we lost, of course, are the snowmobile and the chain saw product lines that we addressed in the brief.

Mr. Mackenzie: Were you manufacturing snowblowers for a while?

Mr. Groombridge: We have not manufactured snowblowers per se for about 20 years.

Mr. Mackenzie: What about the parts manufacturing? Has that also been an area where have been some cutbacks in the plant?

Mr. Groombridge: Are you talking about the supply of parts for the manufacture of the finished product or the service parts?

Mr. Mackenzie: Both.

Mr. Groombridge: The transfer of the machining of those parts is one of the elements we addressed on page six, the transfer of certain machinery operations to the US.

Mr. Mackenzie: What happens with the equipment involved in these machining operations? Does the equipment go back to the US as well?

Mr. Groombridge: If we were doing no outside work, the equipment obviously would be completely idle. Is it being transferred to the US? There have been some pieces of equipment transferred back, but it represents a very nominal portion of that in the plant.

Mr. Mackenzie: The tooling would all go back.

Mr. Groombridge: The tooling would go back, yes.

Mr. Mackenzie: But in the case of the machinery itself, only some of it.

Mr. Groombridge: A very nominal portion. The tooling would only go back, also, if it was required. It could very well be a duplicate of tooling that already exists in the US.

Mr. Mackenzie: It was, in effect, a company rationalization that saw some of the product lines go back to the States. Additional money would not have helped keep them here in the Peterborough operation.

Mr. Groombridge: No, sir.

Mr. Chairman: Mr. O'Neil, Mr. Turner, Mr. Mancini and Mr. Renwick. Just to help you judge your own time, it is now 11 o'clock.

Mr. G. Taylor: Could I have a supplementary, because I

believe I could better fit my perspective, I guess, into this line of questioning? If I understand your operation, you have some assembled products that come out the door--let's say one is an outboard motor--but many of the parts that go into those products come from all over your worldwide operation, or at least the North American operation.

Mr. Groombridge: Yes.

Mr. G. Taylor: If, as Mr. Mackenzie was trying to say, you decide you have a great big market for those outboard motors outside your normal geographical territory, you cannot grab that market because you are interconnected on the finished product with the entire North American operation. Is that why you could not say, "Great, we have that market and we have knocked off part of our American operation," or compete with them? Is that why you cannot do that?

Mr. Groombridge: Could I try to give you a perspective? You talk about the market. Because it is a mechanical product, you must have dealers and service facilities wherever you are selling the product. We--and when I say "we," I am talking about Outboard Marine Corporation as a total entity--market the product throughout the world. Therefore, you have dealers, distributors, service outlets throughout the world. It requires a great deal of local geographic control and liaison to manage that market.

For example, you say there may be a market that we could grab. It is a little difficult to conceive that we here in Canada could spend the time going to east Asian countries to determine their market. That is why a location was put into Hong Kong, to look after that market. Again, we have rationalized the marketing of the product worldwide. That is why you have the various operations strategically located throughout the world.

Therefore, we do not attempt to look for a market outside of the Canadian market because we have other people who are more expert in those marketplaces.

11 a.m.

Mr. G. Taylor: I guess, in summary, even if you decided or if this committee were to say, "Be independent; do what you want; there is a market out there for you," because you are totally interconnected that would be an impossibility. You just are not a separate entity, or at least that separate that you cut yourself off from all these other sources of material, supply, information, markets et cetera.

Mr. Groombridge: First of all, it would be difficult to justify it economically, because it requires a fairly major marketing force to serve the marketplace. You cannot just say, "I would like to sell some units into Indonesia." It takes a lot of time and a lot of marketing effort in that area to be a participant in a marketplace vis-a-vis your competition.

Mr. Chairman: A final supplementary, Mr. Taylor?

Mr. G. Taylor: Also, you do not have all the material in the plant there to do it; you import a lot.

Mr. Groombridge: Yes.

Mr. O'Neil: I suppose what we are trying to get at in some of the questions that have been asked by previous questioners is, in other words, are you a branch plant? How much say do you have over your own running of that plant? Is it all dictated to you from, say, the parent company in the States? That may not be a fair question but that is, I suppose, what we are really trying to get at.

Mr. Groombridge: It is a very broad question. First of all, you have to look at the product and what controls we have over the design of the product. The product, for example, is designed in one location for the worldwide market, whether it's a plant in Peterborough, or whether it's a plant in Bruges, Belgium. When that widget has a design change, it affects everybody throughout the world.

From an engineering design standpoint, other than the recommendations we give to engineering, no one besides central engineering has control over that. We are responsible for the economic operation of our plant and have control over that, the day-to-day operations.

Mr. O'Neil: In other words, what you do is more or less dictated by the American corporation. You are told what you should produce, how much you should produce, where it is going, and so on.

Mr. Groombridge: We participate in the committees at the corporate level on all aspects of the operation, so the word "dictate" is perhaps a little strong. Decisions are made centrally vis-a-vis the product and the marketplace. We are totally responsible for what we do within the Canadian marketplace and are not dictated to, if you will, as to what we do in that Canadian marketplace.

Mr. O'Neil: What sort of participation would you have in the overall setup of the company--you as president of the Canadian setup? In other words, what sort of a board of directors do you have? When you meet, how many people would be there? What sort of say would you have as to the strength of the decision if you were there and if you wanted to have some of those other markets?

Some of the companies we have dealt with are given a little more strength in that they can compete against the American outlets or the European outlets. Are you given that, or is it all controlled from the States?

Mr. Groombridge: The marketplace where you sell your products is determined centrally for the worldwide operation. We have no more control over where we will sell in the marketplace any more than the plant in Bruges, Belgium, has. It is a central business decision as to which is the best way to handle the marketplace economically.

Mr. O'Neil: Who controls that decision then?

Mr. Groombridge: There is input from all of the facilities throughout the world. There is not one single source of all decisions. We participate. All of us, worldwide, participate with the corporate staff in attempting to make decisions that will provide the most viable operation and the greatest input to the marketplace.

Mr. O'Neil: Could you explain how that takes place? In other words, are you called to the States? How does this process happen?

Mr. Groombridge: Let's talk about the engineering of the product, for example. There is a central engineering and development facility. They have about 10 meetings a year where we have the opportunity to meet with them, to provide input as to product recommendations. If a particular product is not totally suitable to a certain facet of the Canadian marketplace, we would have the opportunity for input and to recommend design changes to the engineers. The engineers down there are the ones responsible for carrying that through.

Mr. O'Neil: I suppose what I am more interested in is knowing what your participation would be with the overall company as to determining what is made where, where it is sold, where there are layoffs, where there are transfers and so on, or as to closing down a plant. What sort of input would you have in that in the overall company?

Mr. Groombridge: We have the opportunity to provide financial data on those decisions the same way as any other division has, any other sister company.

Mr. O'Neil: But the decision would be made in the States by an American board of directors.

Mr. Groombridge: Primarily. A major decision such as that, definitely.

Mr. O'Neil: How many representatives from the corporate setup in Canada would you have on the board of directors of the company that controls these decisions? Do you sit on that board?

Mr. Groombridge: No, I do not sit on the board.

Mr. O'Neil: Do any Canadians sit on it?

Mr. Groombridge: No.

Mr. O'Neil: In other words, it is strictly controlled by the directors in the States.

Mr. Groombridge: It is controlled by the board of directors who are in the US, yes.

Mr. O'Neil: Who controls the majority of the stock in the company? Is it one family?

Mr. Groombridge: There is no one family organization that controls the stock.

Mr. O'Neil: Do you know the percentage of the stock that would be held by Canadians versus other countries?

Mr. Groombridge: I do not have that number, no.

Mr. O'Neil: Are there any stocks controlled by Canadians?

Mr. Groombridge: Yes, sir.

Mr. O'Neil: Could you give us any idea at all? Would it be one per cent, two per cent?

Mr. Groombridge: I would suggest it is less than five per cent.

Mr. O'Neil: How much would the Canadian operation or operations contribute to the overall profit of the company?

Mr. Groombridge: I guess the question is in what year? In some years we have contributed a loss and in other years we have contributed a profit.

Mr. O'Neil: Could you give us any type of an average over, say, the last five years?

Mr. Groombridge: I do not have that number.

Mr. O'Neil: I wonder if we could get that from you. I think it would be interesting to know how much profit you have contributed, say, over the last five or last 10 years to the overall profit of the company. I think it would be interesting for us.

Mr. Groombridge: Could I point out there are really two elements to the question in the back of your mind? The question of profits in Canada versus the profits in the US is one question. The second question is what has been provided in dividends, because the majority of profits have been reinvested in the Canadian operations over the years. A profit ratio per se may be misleading as compared to a dividend contribution.

Mr. O'Neil: Have you any idea what sort of a dividend or what the price of the stock has been over the last five years? What would it run at now, approximately, the price of the stock?

Mr. Groombridge: Of the parent?

Mr. O'Neil: Are there different stocks?

Mr. Groombridge: The Canadian stocks are not on any market. They are owned strictly by the parent. It is a wholly-owned subsidiary.

Mr. O'Neil: Could you give me then what the American

stock would be worth at the present time and what it was worth maybe five years ago?

Mr. Groombridge: The stock is presently on the exchange at about \$11 or \$12. It has hit as high as \$62.

11:10 a.m.

Mr. O'Neil: I would be quite interested in knowing Mr. Chairman, about any fluctuation in the stock value and dividends paid. I would also like to know where the majority of the stock is controlled, which individuals hold certain blocks of stock and so on. Could we get some ideas on that from the research people?

Mr. Groombridge: The dividends and the earnings of the corporation are a matter of record and can be easily supplied. The largest shareholder, who has less than 15 per cent--I believe it is something in the area of 12 or 13 per cent--is Mr. Ralph Evinrude and/or his family.

Mr. O'Neil: Turning to another area, about two months ago several of our members toured the Pioneer setup. I know that while it was part of the overall company it was not making a profit and it was sold. When we were there, they seemed to be very busy: They were taking on new staff, their orders were up and things really seemed to be going ahead. I wonder if we could have your explanation as to where you had the problems, why it was sold and why it now seems to be making a success whereas it was not before.

Mr. Groombridge: We sold the chain saw business because as a product line it was not making money. We assessed that it would have required a substantial additional investment before it would break even. When we sold the chain saw business to Pioneer, we had a loss in one year for the write-off of the operation because we were not able to sell it for what it was on our books for.

Why they are now successful is something they should address. I do not think I should address that question.

Yes, at the present time they have about 500 employees. Of course, you recognize that Electrolux bought a majority of the shares and made a substantial input to the company in the last year or so.

Mr. O'Neil: Electrolux would have plants throughout Europe too which would assist in sales.

Mr. Groombridge: In joining the Electrolux organization, Pioneer became a member of a family of chain saws as compared to a single product line. The Electrolux organization owns the Husqvarna, the Jonsered, the Partner, the Skil saw, the Jobu, and they are manufactured in Sweden, the US and Norway, as well as in Canada. So Pioneer is now a member of a family of saws.

Mr. Groombridge: In your brief you made mention of tariffs, where some changes in the tariffs assisted your company.

I wonder if you could expand on that. We have dealt with other companies where the tariff arrangements caused companies operating in Canada real problems.

Mr. Groombridge: There were two elements recently. One is that the tariff people were asked to consider the elimination of duty on the importation of engines for lawnmowers. We made submissions relative to that request. I might add that our local union also supported the submissions.

There were no changes in that tariff in the most recent federal budget. We are the only manufacturers of lawnmower engines in Canada. Had we lost the tariff advantage we would have had difficulty in remaining competitive in that marketplace.

Mr. O'Neil: Has your company, along with the union, been quite a strong lobbyist of the federal government to maintain these protective tariffs?

Mr. Groombridge: Yes, sir.

Mr. O'Neil: How often would you meet with the federal people on this? Would it have been on an ongoing basis?

Mr. Groombridge: No. The question only came up this past spring when there was a request placed before the tariff people in Ottawa to eliminate the duty on lawnmower engines. It was only subsequent to that we made the representations.

Mr. O'Neil: You say you are the only manufacturer of lawnmower engines in Canada.

Mr. Groombridge: That is correct.

Mr. O'Neil: What other competition do you have in the boat motor business? How many other competitors would you have in Canada?

Mr. Groombridge: The primary competitor, of course, is Mercury. But also there is Chrysler, and, of course, the Japanese are attempting to make inroads into the Canadian market--Suzuki, Honda, Mariner.

Mr. O'Neil: Have you any idea what percentage of the market they may have taken over the last year or so; in other words, how much they have cut down on what the Canadian market had?

Mr. Groombridge: The precise statistics are difficult to arrive at because not everybody provides information. In other words, your competitors do not always tell you what they are doing.

We believe we are being successful in maintaining our share of the Canadian marketplace out of the Peterborough operation.

Mr. O'Neil: My question goes back to whether it would be advantageous to you if you were given a little more control to go after other markets, but I guess that has been covered.

At the bottom of page 10 you mention, "Companies can afford to provide only so many dollars annually out of their income for pensions." Could you give us the ball-park figure for your profit over the last five years, with the ups and downs you mentioned? How much profit would your Canadian operation have generated over the last five years?

Mr. Groombridge: I would have to look up the numbers to give you that. If you took the last five years I do not think it would be very much, because we have suffered the losses of the snowmobile and also of the chain saw business.

Mr. O'Neil: One of the things we are trying to determine in this committee is whether there might be profit sharing. Do you have anything of that type within the company?

Mr. Groombridge: No, sir.

Mr. O'Neil: Is there any type of bonus setup for production?

Mr. Groombridge: No, sir. I will qualify that. We are on an incentive wage program within the shop, but there is no bonus relative to profits.

Mr. O'Neil: How does the incentive program work?

Mr. Groombridge: It is a piecework system. Depending on the volume that an individual produces in a day, it can affect the amount of earnings he would have for that day.

Mr. O'Neil: Could you give us some idea as to how that works, taking one employee, for example? I think something like that is good too. In other words, how much of a difference would it mean in the weekly pay of that person if his production was above average?

Mr. Groombridge: It is very difficult to generalize. It is a complex system, but I think a reasonable assumption would be that a person could vary his earnings by 30 per cent in a day, depending on his volume of output.

Mr. O'Neil: Thank you, Mr. Chairman. I think I have taken enough time.

Mr. Turner: Mr. Groombridge, in relation to total investment, what would be the net return or the profit picture of the company?

Mr. Groombridge: That is really the story in exhibit 11, with the dotted line being the per cent of net earnings to shareholders' equity. If you average that over the 10-year period, you are probably somewhere around three to four per cent.

Mr. Turner: Is it fair to ask if the marine motor business has been under increasing pressure from offshore manufacturers?

Mr. Groombridge: Yes, particularly the Japanese.

11:20 a.m.

Mr. Turner: Has any manufacturer in the United States made an agreement with a Japanese manufacturer to do part or all of the manufacturing?

Mr. Groombridge: There was a joint agreement between Mercury and a Japanese manufacturer in the production of outboards, but that has now been invalidated. They had to back out of that under--I forget the specific piece of legislation, but I think it was the Federal Trade Commission that required them to divest themselves of the arrangement.

Mr. Turner: To your knowledge, did that give Mercury an advantage in the domestic market, in the North American market?

Mr. Groombridge: The advantage of grouping products together is that a substantial investment in research and development and engineering is required with respect to a mechanical product, and if you can consolidate or share that expense it reduces your cost and, therefore, provides you with a better opportunity to be more competitive in the marketplace.

Mr. Turner: Having regard to what has happened to the motorcycle industry and what is happening to the automobile industry, are you feeling the same pressures in the outboard motor business?

Mr. Groombridge: Can I speak of Outboard Marine worldwide?

Mr. Turner: Yes.

Mr. Groombridge: Yes, we are feeling considerable pressures. I think it is relatively common knowledge that a few years ago the Japanese decided they were after the outboard market. It has taken a great deal of effort, marketing expertise and pricing positions in the various markets in the world to compete with that. In some areas of the world they do enjoy a fair share of the market.

Mr. Turner: Do they make as complete a product line as you people?

Mr. Groombridge: I do not believe there is any Japanese manufacturer that makes as complete a line as we do, except where there is a tie-in between the Mariner people and the Mercury people.

Mr. Turner: But you said that has been terminated.

Mr. Groombridge: It is under termination.

Mr. Turner: Just out of curiosity, what will happen to that product? Will it be taken over by the Japanese manufacturer or the Japanese subsidiary? Do you know?

Mr. Groombridge: I do not know exactly what they are going to do, but it is conceivable that they will each manufacture their own product in total.

Mr. Turner: That could give the Japanese an inroad, an advantage, to a more complete product line?

Mr. Groombridge: It is a difficult question to answer.

Mr. Turner: Sorry.

Did that economic pressure of outside competition influence the decision of Outboard Marine to get out of subsidiary products?

Mr. Groombridge: Yes. The competition in the marketplace had a dramatic effect on our earnings worldwide. If you lose earnings, you lose capital to reinvest in the company. You then have to make decisions as to what product lines you are going to follow through with. The effect on the marketplace had a decision on our overall capital deployment throughout the world.

Mr. Turner: When the decision was made to close the snowmobile operation, what became of the people who had been employed in the manufacture of snowmobiles?

Mr. Groombridge: Those who were terminated?

Mr. Turner: Yes.

Mr. Groombridge: It would be difficult to--

Mr. Turner: Were they given an opportunity to take other jobs within Outboard Marine, or was there enough opportunity there?

Mr. Groombridge: At the time we went out of snowmobiles, there was an increase in our planned volumes of chain saws and some of them were utilized in that facility. There was some offset there, but there was still a dramatic reduction in employment.

Mr. Turner: The decision was made to close out the chain saw operation, but of course there was no net loss of jobs there because the new company was formed and took up the slack, that is my understanding of it.

Mr. Groombridge: No net loss to the community?

Mr. Turner: Right.

Mr. Groombridge: Right.

Mr. Turner: Having regard for both those situations, was there any unusual or extraordinary benefit or allowances made to those employees who were laid off, or whose jobs were terminated at that point?

Mr. Groombridge: No. There were no extraordinary allowances. As I think I pointed out, all layoffs were at least

within the minimum if not in excess of the notice required under the provisions of the act.

Mr. Turner: No; I was just wondering, having regard for perhaps the length of time people had been employed, whether there was any severance pay as such, a lump sum payment.

Mr. Groombridge: No, sir.

Mr. Turner: When Outboard Marine first set up in Canada it was operating under the name of Johnson Motors and was a self-contained, separate facility, and then as the business joined with other forces it became a much larger corporation, obviously, or part of a much larger corporation, and other businesses were added as well. When was the decision made to not, if you will, have a self-contained facility at any of the plants but rather to have a support?

Mr. Groombridge: There really was not any point in time at which there was a decision to not have a self-contained facility. In order to produce the product economically, it was necessary to rationalize the specialization in various facilities throughout the world in manufacturing of the products. For example, the major die cast facility of Johnson is in Waukegan, which produces the majority of die castings for all outboard motors--Johnson and Evinrude. The die castings are manufactured and further machined and are then assembled throughout the world. The plant at Evinrude specializes more in foundry type operations. You tend to specialize in various locations.

When we were in the chain saw business, we were the sole manufacturer of Pioneer chain saws for the total company, worldwide. It is an ongoing, day-by-day, week-by-week, month-by-month, year-by-year thing.

Mr. Turner: It was something that evolved over a period of time with the growth of the organization and the increase in sales.

Mr. Groombridge: It just evolved over the years. That is correct.

Mr. Turner: As you know, and I think you are aware of this as well as I am, there are all kinds of rumours and stories around Peterborough as to what the future of Outboard Marine may be in that community. You have stated very clearly that it will continue to be an assembly plant for outboard motors.

Mr. Groombridge: Yes, sir.

Mr. Turner: Is that right?

Mr. Groombridge: That is correct.

Mr. Turner: And to your certain knowledge, there is no change, as far as you are concerned, in the fact that the plant will be located in Peterborough.

Mr. Groombridge: There are no changes with respect to the assembly of outboard motors and lawnmowers in Canada in the foreseeable future.

Mr. Turner: What is the competitive position of the company today? What share of the market, if it is fair to ask, does Outboard Marine enjoy; or is that a difficult thing to--I guess I am asking if Outboard Marine is still recognized as the leader in the industry as far as outboard motors are concerned.

Mr. Groombridge: We believe we are the leader in the industry and we enjoy the largest share of market of any outboard manufacturer.

Mr. Turner: Are you the only outboard manufacturer operating on a worldwide basis, on worldwide scale?

Mr. Groombridge: No; Mercury operate on a worldwide basis.

Mr. Turner: Is it very similar to the type of operation you have?

11:30 a.m.

Mr. Groombridge: From what I know of it, yes. The Japanese are selling worldwide too, whether you want to go into South America, Canada, Europe, the eastern countries--

Mr. Turner: They do have plants in other parts of the world.

Mr. Groombridge: Do they have plants?

Mr. Turner: Yes.

Mr. Groombridge: No. I believe the Japanese are--I cannot give a completely unqualified answer, but I believe it is primarily in Japan.

Mr. Turner: Having regard for the chain saw operation again, when that decision was made to divest yourselves of that operation and sell it off, what was the position of the company as regards the new company? This is a point that probably--did you enter into a co-operative venture with the new company? It is my understanding that Outboard Marine gave the new company a high level of support.

Mr. Groombridge: When we entered into the agreement with the new company, a part of that agreement was to provide them with engineering background, expertise, assistance in the establishment of their production facilities. We have continued to work very closely with them. We work very closely with them today in the manufacture of their products.

Mr. Turner: As a matter of fact, that is one of the major areas of support for the Peterborough plant, the Outboard Marine plant.

Mr. Groombridge: In our original equipment manufacturing business it is the dominant factor; yes, definitely.

Mr. Turner: That is all, Mr. Chairman. Thank you.

Mr. Chairman: Thank you, Mr. Turner. Mr. Mancini is next on the list. He has just had to make a telephone call. I am going to take advantage of this gap to make an observation and to ask one question myself. It flows from a question by Mr. O'Neil to the staff that we try to get some financial information on the company and so forth.

I would again remind members of the committee that in the copy of the annual report that we were given last night, not all but much of the information that has been requested is available--the number of shares outstanding, the number of shareholders, the earnings per share for the last five years, dividends for the last five years and so forth. There is no question that the staff can get all of this material. Outboard Marine is a public company. It trades on the New York Stock Exchange. We can get bushels of information.

The staff is prepared to do that, probably even anxious to do it. Speaking only for myself, it would be material that I would not be able--I make no bones about it--to do justice to. I am not about to try and become an analyst on this particular company and its worldwide operations. Please try to utilize the material that we have would be my strong recommendation.

I would like to ask one question, and it may properly be directed to Mr. O'Connor. It does come from a comment in the annual report, on page 13. If you will bear with me--you do not have a copy of it handy? It speaks to the question of pensions. I would like to read it, and if possible would either or both of you gentlemen be kind enough just to try and translate what it says into lay terms, terms that I could understand. I do hope that within the next hour we will have an opportunity to speak to the question of pensions, not in the context of the US operation but as to what arrangements you have made or are in the process of making with the 200 or so employees who are involved.

The paragraph does mention Canada--if I may read it, page 13: "For the United States plans at September 1, 1979, the date of the latest actuarial valuation, the unfunded prior service cost was \$55,951,000 and pension program assets exceeded the actuarial determined value of vested benefits.

"For the Canadian plans by December 31, 1978, the date of the latest actuarial review, the unfunded prior service cost was \$5,545,000 and the actuarial determined value of vested benefits exceeded the pension program assets by \$2,168,000. Although the vested benefits of the Canadian plans exceeded the pension program assets, there is no liability under Canadian law to fund the deficit should the plans be deemed to be wound up and the assets distributed to the participants."

Please, just for my benefit, and maybe others on the committee would gain something from this too, what does that mean:

first, in terms of the US numbers; what does it mean for you and the Canadian operation; and more particularly, what does it mean for the employees with whom you have negotiated pension arrangements or are in the process of making such arrangements?

Mr. O'Connor: There is some history to those words. I would ask Mr. Groombridge to respond to that question if I might.

Mr. Chairman: Please; for my part, as simple as you can.

Mr. Groombridge: First of all, the vesting of benefits is based on the structure of the plan. Traditionally, in the US the plans, there is no vesting until a person has 10 years of service.

Mr. Chairman: A straight 10?

Mr. Groombridge: That is right.

Mr. Chairman: Not 10 and an age?

Mr. Groombridge: No; 10 years of service, without getting into all the technicalities of the law. I am trying to make it as simple as I can.

Under our pension program in Canada, each year a person is a member of the plan their vesting increases by 10 per cent, up to 10 years 100 per cent. Therefore, under our plans, there is an earlier vesting than there is in the US plans.

Under US law there are--and I am not completely conversant with this--but under the US law there is some attachment of the company assets on a windup, for a bankruptcy or whatever. Of course if there is a bankruptcy there is nothing to attach, but there are still some provisions there.

Under the pension laws of Ontario, if a plan is wound up or deemed to be wound up, then the assets of the fund, as it is at that point in time, are then distributed--I think the pension people went through a little of this for you earlier.

Since this is a US document that you are looking at, all of the requirements of the Securities and Exchange Commission must be addressed. It was necessary to say what the unfunded vested liability of the Canadian company was; but in fairness to the shareholders who might look at that as a liability, it was necessary to further qualify that to indicate that while there is this unfunded liability, unfunded vested liability, in fact there was no dollar and cents true liability in the event of a windup. So what you have is an attempt to explain the difference between the Canadian and US law as it relates to vesting, and in fact the difference between the plans as negotiated by the respective jurisdictions.

Mr. Chairman: Have you made arrangements or are in the process of making arrangements dealing with pensions of the employees who were laid off this summer? Is that part of the negotiation now?

Mr. Groombridge: It is a part of the plan that at the time they terminate the benefits they have vested in them remain with them, and remain with them until such time as they retire or claim them, or there is a--

Mr. Chairman: Referring back, if I may, to page 10 of your brief, sir, in the middle paragraph: "OMC has continually apprised the Pension Commission of Ontario and the Minister of Labour that it intends to ensure the required funding to guarantee all vested pension entitlements shall be honoured." That is the shortfall that is referred to in the US annual report.

Mr. Groombridge: Yes.

Mr. Chairman: Fine. I understand. In fact, the company further committed itself "to increased funding liabilities of several million dollars for improved pensions, particularly for those employees entitled to advance retirement." Are there, in that category, employees who were terminated in the summer?

Mr. Groombridge: There were no people entitled to advance retirement who were terminated, to my knowledge, because they are the more senior employees.

Mr. O'Connor: It is a layoff by seniority; therefore, the more junior of those employees would be those affected.

Mr. Chairman: My last question, and then Mr. Mancini. Again, from your own brief on page 10, the second last sentence, "In considering the protection of pensions, a shortening of the 15-year period for unfunded liability may be detrimental to improve benefits to the majority."

With reference to the 15-year period for unfunded liabilities, does that mean that under present Ontario law you have 15 years to make up that unfunded liability?

Mr. Groombridge: Yes.

Mr. Chairman: Why would shortening that--help me here--be detrimental to the majority?

Mr. Groombridge: Let us assume there is a liability that costs \$1 million a year to fund over 15 years. It is like paying off a mortgage. If you had to pay it off in 10 years, maybe that \$1 million payment per year becomes \$1.5 million.

Mr. Chairman: I understand. Thank you very much.

Mr. Mancini: What time are we adjourning?

Mr. Chairman: Twelve-thirty.

Mr. Mancini: I just wanted to know how cruel I should be to Mr. Renwick, whether I should leave him equal time, most of the time, or maybe none of the time. We will have to see.

Mr. G. Taylor: May I ask a question? Having regard to

the statement contained in the financial document and looking at the American program and the Canadian program, which is more beneficial to, first, the employees and, second, the investors, comparing the US to Canada?

Mr. Groombridge: That is a big question.

Mr. G. Taylor: Are the American laws more protective of employees, as indicated by the financial setup in that document, or are our laws more protective of Canadian employees?

Mr. Groombridge: Again, without going through all the technicalities with which I am not completely conversant, I would rather answer that in the context that the Pension Commission of Ontario watches the Ontario plans very closely to ensure that we live up to the funding requirements and provide the benefits for which we negotiate.

There are two levels. One is the unfunded liability and then there is the shortfall. The shortfall must be made up in five years, which means that the actuarial assumption was wrong or we did not put the moneys in on an annual basis that we should have. That must be made up within five years.

I believe there is adequate protection in the Ontario Pension Benefit Act for the Canadian employees. I am not really sufficiently versed to give you a comparison between Canada and the US.

Mr. G. Taylor: In my own summary of that document, as in the chairman's, it looks better for a shareholder because the liabilities are not as great for the Canadian operation as for the American operation.

Mr. Groombridge: The only time there is a question of fulfilling the liability of the pension plan is in the event of a wind-up of a company or a bankruptcy. At that time, the shareholder has very little to fall back on anyway. He has usually lost all his money.

Mr. G. Taylor: But still, on the summary contained in there as required by the US Securities and Exchange Commission, it would appear to be better for the American investor. The Canadian operation gives the American investor a bonus because of the requirements for pensions.

Mr. Groombridge: I do not believe that is a fact. I might also comment that when you read this year's annual statement you will see that unfunded vested liability has decreased substantially under the Canadian operation.

Mr. Mancini: I just want to tidy up this question concerning pensions before I get on to other matters.

Basically your company now guarantees and vests the employees' pensions after 15 years of service. Is that what we are talking about? Or is that 15 years' service because of the Ontario law you were referring to?

Mr. Groombridge: The 15 years is not relative to service, the 15 years is relative to the period of time over which you can write off a newly created unfunded liability.

Mr. Mancini: That is fine. I have that clear.

I want to get a better understanding of the operation. The Outboard Marine Corporation worldwide manufactures snowmobiles.

Mr. Groombridge: Not since 1975.

Mr. Mancini: They did manufacture snowmobiles. They presently manufacture lawnmowers and chain saws.

Mr. Groombridge: No, we no longer manufacture chain saws.

Mr. Mancini: You got out of that too. When did you get out of that?

Mr. Groombridge: In 1977.

Mr. Mancini: Outboard motors and anything else?

Mr. Groombridge: Outboard motors, inboard-outboard engines, stern-drive engines, lawnmowers.

Mr. Mancini: We mentioned that.

Mr. Groombridge: Yes, and small industrial vehicles.

Mr. Mancini: Such as?

Mr. Groombridge: The Cushman industrial vehicle, which is a modification of the golf cart.

Mr. Mancini: Anything else?

Mr. Groombridge: A new product that has been announced is the OMC Sea Drive.

Mr. Mancini: What is that?

Mr. Groombridge: It is a modified type of outboard motor.

Mr. Mancini: You are sticking with the outboard motor line.

Mr. Groombridge: Yes.

Mr. Mancini: We can conclude that the company basically manufactures lawnmower motors and outboard motors for pleasure boats.

Mr. Groombridge: Yes.

Mr. Mancini: I understand, if I have listened to things correctly, that the snowmobiles and the chain saws were at one time manufactured in Canada.

Mr. Groombridge: The chain saws were manufactured entirely in Canada. The snowmobiles were manufactured partially in Canada and partially in the US.

Mr. Mancini: Of course, we can assume that the outboard motors are also manufactured partially in Canada, partially in US?

Mr. Groombridge: Yes.

Mr. Mancini: What has happened over the last 10 years, I guess, is that a complete line which was manufactured solely in Canada has been eliminated by your company.

Mr. Groombridge: Yes.

Mr. Mancini: Also, a complete line which was partially manufactured in Canada has been eliminated by your company.

Mr. Groombridge: Yes.

Mr. Mancini: You say this was done because you could not meet the competitiveness of the market.

Mr. Groombridge: Because we were losing money on those product lines.

Mr. Mancini: I recall seeing in your brief that at one time the worldwide company, the parent company, had approximately 13,000 employees. Is that the correct figure?

Mr. Groombridge: They had 13,000, 14,000, yes.

Mr. Mancini: Now it is down to around 9,600.

Mr. Groombridge: Yes.

Mr. Mancini: What percentage of that came from the Canadian production?

Mr. Groombridge: If you take the same period of time--that is, since the worldwide number of 13,700, I think, dropped down to the current number--there was about a 25 per cent drop in Canadian employment compared to about a 36 or 37 per cent drop in the US.

Mr. Mancini: When the chain saw operation was in Canada, and since that was the only place your company was producing this product, was there much research and development done in Canada?

Mr. Groombridge: We did the research and development in Canada but we also had available to us the specialized research facilities in the US. If we met a certain problem and they had more sophisticated equipment, we had that available to us, but the R and D was done in Canada.

Mr. Martel: How much R and D was done in Canada?

Mr. Groombridge: It would average around \$1.5 million a year.

Mr. Martel: What do you mean by "specialized" in the United States?

11:50 a.m.

Mr. Groombridge: For example, if you were trying to develop the cutting chain for the chain saw, you would need to take pictures at, for example, 5,000 frames a second, which requires extremely sophisticated equipment. We could take our product down and utilize their equipment to get an analysis.

Mr. Martel: You developed, as I understand it, through your R and D here some type of cam rod and gear lever.

Mr. Groombridge: Some which?

Mr. Martel: Forgive me for not knowing what it is. You developed in the Canadian operation through your R and D some special product with relationship to ring gear, cam rod and gear lever production. Is that right?

Mr. Groombridge: We did not develop it through R and D. We did manufacture the ring gear for outboard motors here and we refined and specialized the manufacturing equipment with the skills in our plant for the production of that ring gear. It was not R and D as such. The ring gear was an established part, an established component.

Mr. Mackenzie: (Inaudible) problems in your manufacturing operations, did you not?

Mr. Groombridge: We refined the manufacturing to produce a quality product, a quality part.

Mr. Martel: But that has now been transferred to the United States.

Mr. Groombridge: Yes.

Mr. Mancini: There is no R and D left in Canada at all?

Mr. Groombridge: No, we only did R and D on chain saws and when the product line went, of course it went too; it was discontinued also.

Mr. Turner: May I have a supplementary there? Excuse me for interrupting, but was there not research and development involved also in the new initiative you are taking with the company, going out and seeking other work?

Mr. Groombridge: Research and development is a definition that is more engineering oriented; for instance, when you go to a new product. With respect to the work we are doing to get new contracts, we are using a fairly high degree of industrial engineering to attempt to produce the parts more competitively, as

compared to research and development.

Mr. Mancini: Your operations in Peterborough still manufacture lawnmower motors and outboard motors. How much of that operation is used to service the Canadian domestic market and approximately how much of the operation is used to supply part of the world market?

Mr. Groombridge: When we have completed the conversion we are going through now, which will be completed by next summer, the Canadian plant will be supplying the Canadian domestic market only.

Mr. Mancini: We will not supply a single motor for export?

Mr. Groombridge: That is too definitive. There is every possibility that some units may go for export because there is a need for a particular model in a particular country that may not have it.

Mr. Mancini: But there certainly will not be a planned--

Mr. Groombridge: It is not the plan to produce for export.

Mr. Mancini: It is not a planned corporate decision to produce a single motor for export, but if they happen to have a shortfall some place, or maybe a strike develops some place and your people need to be serviced or have this sent to the marketplace, then you will have exports. Is that it?

Mr. Groombridge: It is not the plan to produce products for export.

Mr. Mancini: Only in very extenuating circumstances, such as we have just mentioned.

Mr. Groombridge: Single and very extenuating or rather specific terms.

Mr. Mancini: From where will the world market be serviced? Where will the manufacturing take place for the world market?

Mr. Groombridge: From the US, from Belgium, from Hong Kong, from Australia.

Mr. Mancini: Are those specific geographical areas you have mentioned truly going to supply the world market, or are they going to supply their own geographic area?

Mr. Groombridge: Primarily their geographic area. I believe that the southwestern hemisphere will be served primarily from the US.

Mr. Mancini: So only the United States, then, will have manufacturing which we can say will truly try to serve most or

part of the world market and all other locations of your parent company will serve the geographic locations which they are in.

Mr. Groombridge: Primarily.

Mr. Mancini: Since the Canadian part of the corporation has lost completely the chain saw line, did you make representation or was it ever considered that because of the fact possibly some motors for export should be produced in Canada in order to make up for that loss? Since you do have tariff protection which allows you good access to the Canadian market, was there any feeling at all that possibly we should maybe reward Canadians for that in extra jobs by manufacturing at least part of the motors for the world market?

Mr. Groombridge: As I believe is pointed out in the brief, at the time we decided to discontinue the chain saw product there was a shift in the production of outboards for export to the Canadian plant; there was an increase in the volume of models produced for export out of the Canadian plant, which is subsequently being returned primarily to the US.

Mr. Mancini: Why has that taken place? Why did the corporation decide at one point to have motors produced in Canada for export and now they have changed their minds completely?

Mr. Groombridge: Primarily for two reasons: One was the availability of facilities to assemble the product. Also, at the time the decision was made to shift the products up here they were running pretty much close to capacity in the US. Since then, in the last year or two years, there has been a dramatic downturn in the marine market in the US and they have excess capacity; as part of the rationalization worldwide, the export units are being returned to the US.

Mr. Mancini: This excess capacity you speak of, is this normal excess capacity that corporations would have or is this over and above what you would consider to be normal excess capacity?

Mr. Groombridge: It was over and above normal excess capacity because of the tremendous drop in the marine market.

Mr. Mancini: And you have market forecasts for the future as to how long that excess capacity will last?

Mr. Groombridge: Yes.

Mr. Mancini: How long do you believe it will last?

Mr. Groombridge: I believe that is privileged information that our competitors would love to get hold of.

Mr. Mancini: I see. I do not know whether I agree with you, but okay.

Mr. Groombridge: We continuously, and with a fair amount of precision, attempt to forecast the market in all parts of the

world, including Canada. We do a fair amount of research ourselves. We do not see any change that would change the decision.

Mr. Mancini: On page six of your brief, near the middle, you state, "The transfer from the Peterborough plant to other OMC facilities of certain machining operations and subsequently the assembly of outboard motors for certain export markets..." does that mean that you took the equipment from Canada, which would have been used to produce these outboard motors, and loaded it up on a truck and shipped it south of the border; and if so, approximately how much machinery did this involve?

12 noon

Mr. Groombridge: Generally, no; they did not load up the equipment on a truck and ship it south of the border. The ring gear operation that was questioned is a specific case where that machinery was taken south of the border. You asked what proportion. From an investment standpoint, what has gone--and it is planned that there be only another four or five machines--what has gone is less than five per cent of the investment in the Peterborough operation. In number of machines, it is less than two per cent. The majority of the machinery and equipment remains, which we hope to largely utilize for our OEM business.

Mr. Mancini: To service the domestic market?

Mr. Groombridge: To service the domestic market and the new thrust in the OEM business.

Mr. Mancini: How many millions of dollars of machinery would this entail if the figure is that high? Do you have any idea?

Mr. Groombridge: Of total investment?

Mr. Mancini: No, sir. I am still on the subject of the machinery that was transferred from the Peterborough plant to OMC facilities--in the United States I presume. You mentioned that was possibly about five per cent of your total investment here in Canada. I would like to have a ball-park figure of the worth of that machinery.

Mr. Groombridge: What is your definition of worth?

Mr. Mancini: Well, let's try to figure it out together.

Mr. Van Horne: How long is a piece of string?

Mr. Groombridge: In actual value--

Mr. Mancini: I assume that on this machinery you took your normal tax deduction for depreciation and these machines had been fully depreciated in Canada?

Mr. Groombridge: Not necessarily fully depreciated; some of it was relatively new, some of it was old.

Mr. Mancini: But we can say, generally speaking, that a

large part of it was fully depreciated in Canada, which allowed your company to accrue certain tax benefits?

Mr. Groombridge: No; the equipment that was transferred was primarily that relative to the ring gear operation, and some of that was quite new.

Mr. Mancini: You did not depreciate any of the equipment?

Mr. Groombridge: We depreciate all the equipment each year according to the--

Mr. Mancini: Yes; well, let's get back to the point then. Can we say that the machinery was substantially depreciated in Canada, which allowed your company to accrue certain tax credits and benefits?

Mr. Groombridge: Relative to the transfer?

Mr. Mancini: Yes.

Mr. Groombridge: No.

Mr. Mancini: I think we are misunderstanding each other, and I will get back to this point. Let's first move back to the point, then, of what was the worth of the machinery that was moved out of Peterborough?

Mr. Groombridge: The worth of the machinery that was moved out of Peterborough--I am just going by memory--was less than a half a million dollars. There was no great massive move, or there has not been--

Mr. Mancini: Well, what is your total investment in Canada then?

Mr. Groombridge: The replacement value of--and that is the only way I wish to address it--the replacement value of our operation in Canada approaches \$40 million.

Mr. Mancini: And did you not inform me earlier in questioning that the machinery was about five per cent of your total investment in Canada?

Mr. Groombridge: Was less than five per cent. If you take replacement value, five per cent times 40 gives you \$2 million; but that is replacement value.

Mr. Mancini: Did that equipment go to any specific location?

Mr. Groombridge: Did it all go to one location? No.

Mr. Mancini: Are there two or three specific locations?

Mr. Groombridge: The equipment either went, I believe, to the Milwaukee or the Waukegan locations.

Mr. Mancini: How many pieces of equipment were involved, approximately; a dozen, 20 pieces?

Mr. Groombridge: I would really have difficulty in answering that, but I do not think it was any more than--if we took a total, counting numbers, it would not be any more than 20 or 30 pieces of equipment at the most. I could be challenged on that because I do not follow it precisely.

Mr. Mancini: Some of the equipment was fairly new and some had been in Canada for several years?

Mr. Groombridge: Yes.

Mr. Mancini: Therefore, you were able to depreciate the equipment?

Mr. Groombridge: Yes.

Mr. Mancini: Therefore you were able to accrue certain tax benefits from the depreciation?

Mr. Groombridge: There is a tax deduction for depreciation, yes.

Mr. Mancini: Did you have a follow up as to what happened with the laid-off employees, the ones who had been terminated?

Mr. Chairman: Can I just come in here. Do you have a manpower adjustment committee? Was it set up in the summer of 1980, and is it still operative? Is it the group that would have such information? That fits, I think, with Mr. Mancini's question.

Mr. Groombridge: I do not believe we have had any program to specifically follow through on each and every employee; other than, in the event of a recall, they have rights under our agreement that causes us eventually to contact them. But to find out where they went and what they did, we do not have that information, no; I don't believe so.

Mr. Chairman: Was there a manpower adjustment committee, or words to that effect? Did you have a committee--

Mr. Groombridge: When we went through the chain saw operation, yes.

Mr. Chairman: In the summer of 1980, in this past summer?

Mr. Groombridge: Relative to the deployment of employees?

Mr. Chairman: Yes.

Mr. Groombridge: No.

Mr. Renwick: Mr. Groombridge, I appreciate the effort you have made in the presentation that you are making to us. I do not want to get into repetitive questioning; a number of the

questions I was concerned with have either been asked by the chairman or Mr. Mancini has asked part of them.

First of all, our staff will be in touch with you about a couple of things and I would just like to give you some warning of the kind of things we are going to want. I am not asking for the disclosure of names of people who are involved, but we would like very much, and I leave it very much in your hands as to how you would present it but naturally we will be trying to get the same information from other companies and therefore there should be some correlation in it.

We will be seeking information about people who have been laid off--who have left the employ of Outboard over the last five years. I know you referred to a 10-year period; if you did have the information for 10 years, fine, but I am thinking really about the last five.

Either by number or by grouping, however you want to do it, we would like to know how much, in dollars, those employees got when they left, either by way of severance or pension, whatever the dollars were, so that we know what has happened to employees. I do not want to make any distinction between employees, but naturally we are very interested in the impact on longer term employees. That's one area that we would like to have covered.

I think in your case, the other kind of schedule I would like to have is the--and I think this would have to be, I guess, over 10 years, or whatever shorter period made sense, we are very much in your hands about it--is the product lines that you were manufacturing. I recognize that you obviously manufacture a large number of components, but I am thinking of the major components, the major product lines that you were manufacturing, and/or assembling.

In relation to the time at which a significant change occurred, we would be interested in knowing the number of employees laid off at that time, and any comment that you wanted to make on that relationship. My reason for asking that is that I am trying to get a handle on the extent to which, you being part of a very much larger organization, decisions were made, and then what the effect was on your employment in the plant. Is that clear as to what I am asking?

12:10 p.m.

Mr. Groombridge: Yes. As I understand it there are two things: What were the financial arrangements with the employees on termination; and the other is how many were affected through termination of the two product lines, with some kind of perspective as to what happened vis-a-vis those employees. Do I understand it correctly?

Mr. Renwick: Yes, I think that would be helpful. A couple of other things before I ask what I think is my principle concern and try to get it clarified: does the Canadian company own any trademarks or patents, or are they all by licence from the parent company? Does the parent company control the patents, the

trademarks, the technology, the knowhow?

Mr. Groombridge: Of course it was eventually sold as a part of the package to Pioneer, but when a patent is developed relative to a product in Canada--vis-a-vis the snowmobile product line or the chain saw product line--where we develop a trademark we immediately register that in Canada and throughout the world for protection.

Mr. Renwick: In whose name?

Mr. Groombridge: In Canada we would register it under Outboard Marine Corporation of Canada Limited; in the US it would be under the parent. There is complete liaison in tying that down. We have a person on staff in Peterborough who works in conjunction with our attorney for trademarks and patents in the US and it could be registered either in Canada or the US.

Mr. Renwick: When you say registered, do you operate under licences, or are you in fact a registered owner who in turn licenses?

Mr. Groombridge: We could be the registered owner; and that then is assigned to the parent, or vice versa. Being a wholly owned subsidiary, really it is a sort of a moot point.

Mr. Renwick: This, in a sense, partly follows along what has been asked, and I am going to try to make it as brief in this sense as I can: I don't know whether you have seen the questions that were put to the Premier (Mr. Davis) in April by the leader of the New Democratic Party, or by my colleague David Cooke to the Minister of Industry and Tourism (Mr. Grossman) about your company; did you see those?

Mr. Groombridge: Not beyond what might have been published in the press.

Mr. Renwick: Right. What, exactly, was the announcement that you made on April 16, 1980? Have you a copy of that? The information I have is that on April 16, 1980, OMC announced that Peterborough would lose its production of outboard motors.

Mr. Groombridge: I believe you would find that the announcement at that time was reasonably consistent with what you find on page six of the brief.

Mr. Renwick: Yes, I thought that was so. The leader of the New Democratic Party, Mr. Cassidy, asked on April 17: "I have a question for the Premier. Today the parent company of Outboard Marine Corporation of Canada Limited in the United States announced that it is eliminating the global product mandate of its Peterborough plant to export outboard motors to Africa and South American." Would you comment on that?

Mr. Groombridge: Yes, we had no global product mandate. We were assembling certain products for some of that market. The decision was, as a part of the worldwide rationalization, to move that assembly back to the US.

Mr. Renwick: And what were the products?

Mr. Groombridge: Outboard motors; certain horsepower outboard motors, yes.

Mr. Renwick: Help me a little bit when you say--

Mr. Groombridge: Well, for example let's talk about the six horsepower and the 40 horsepower outboard motors: there were certain models we were assembling for the export market.

Mr. Renwick: An outboard motor to me is an outboard motor for the pleasure trade. Is that the kind of trade you are talking about?

Mr. Groombridge: In the South American market you will find them used primarily in the commercial fishing market. They are more in the commercial market than in the pleasure market.

Mr. Renwick: But if I walked into your plant I couldn't tell the difference; or could I?

Mr. Groombridge: Not unless we specifically said what market they were destined for, because generally speaking they are identical products.

Mr. Renwick: You can see what I am getting at, so you help me so I do not have to labour through it. I am talking about outboard motors. Leaving aside this term "global product mandating," which is the kind of rhetoric that the Minister of Industry and Tourism uses and so on, the Peterborough plant was going to lose its export business of outboard motors to Africa and South America. Is that a correct statement?

Mr. Groombridge: To South America; I don't know about Africa.

If I could help you: We make a range of products from a two horsepower right up to a 235 horsepower outboard. There are about 50 different models. What we were doing in producing for export was in rationalization--and this is a continuing, ongoing process--

Mr. Renwick: I understand.

Mr. Groombridge: We will make this horsepower here, that horsepower in another plant, and so forth and so on; those were the horsepowers we were making for that market.

Mr. Renwick: And what were those models?

Mr. Groombridge: There was a six; I think a nine; a 15, a 40.

Mr. Renwick: Four models?

Mr. Groombridge: No, there could have been six or eight models.

Mr. Renwick: I wonder if you could tell us the models you are talking about, and, so far as you are aware, the destinations of those models. That is those which you had been providing and which this announcement eliminated as far as--

Mr. Groombridge: We could provide that information.

Mr. Renwick: As you told us, your orders come from your worldwide marketing operations; that is correct, isn't it? The orders were placed with the Peterborough plant to ship to Africa or South America or wherever it was, presumably? Who would then get those orders?

Mr. Groombridge: Primarily, I believe, they returned to the US.

Mr. Renwick: For trans-shipment?

Mr. Groombridge: I thought your question was, "Who now produces those?"

Mr. Renwick: Sorry, no.

When you were manufacturing these models we are talking about and an order was placed on you, my first question is: It was placed by part of your worldwide marketing subsidiary?

Mr. Groombridge: Yes.

Mr. Renwick: And the destination for those?

Mr. Groombridge: Yes, they would place an order on us, make a quantity to--

Mr. Renwick: To wherever it was to go.

Mr. Groombridge: Right.

Mr. Renwick: Can you give us an indication in detail--I don't mean item by item--the destinations for those products so far as you were concerned?

Mr. Groombridge: Primarily the southwestern hemisphere; Mexico and down through South America.

Mr. Renwick: And perhaps some to Africa, but the major part to South America or to Central America?

Mr. Groombridge: I believe very few, if any, went to Africa.

Mr. Renwick: And what orders would go to the United States; would originate in the US for shipment to the United States?

Mr. Groombridge: Only a very nominal quantity; most of it was for the southwestern hemisphere.

Mr. Renwick: And that is the business that has been lost?

Mr. Groombridge: Yes, sir.

Mr. Renwick: And is now being filled from the US?

Mr. Groombridge: Primarily.

Mr. Renwick: Were you selling at all into the United States?

Mr. Groombridge: Were we selling at all?

12:20 p.m.

Mr. Renwick: I do not mean that you were marketing because you said you do not have a marketing operation, but were you receiving orders for shipments to the United States?

Mr. Groombridge: Not normally; but to say we were not selling any would not be correct because from time to time they may have been short on a particular model and we may have some and they may have chosen to buy some from us, but not normally.

Mr. Renwick: The US was not part of your market then. So this ties in with what you have said on page three, "...partially offset by an increase in the quantity of outboard motors produced in Peterborough for the export market of just over 5,000 units in 1976 to a peak of 34,000 in 1979..."

Mr. Groombridge: Right.

Mr. Renwick: What led the parent company to give you that business for that period of time?

Mr. Groombridge: Primarily we had the facility to produce them and they were running at or close to capacity.

Mr. Renwick: I guess I do not need to belabour it; so the Peterborough plant paid the cost of the surplus capacity and the fall-off in demand in the United States.

Mr. Groombridge: That has since been--yes.

Mr. Renwick: From the Securities and Exchange Commission statement of the company's financial information for 1979 and so on, I take it that for practical purposes it was sort of a double shuffle. The big reduction was in the US, therefore the plants were curtailed in the US, so in order to maintain the production there they took it away from Peterborough and the US company now supplies those export markets.

Mr. Groombridge: The major dropoff in the market was in the US, but there was also a dropoff in the market worldwide. There were reductions of facilities in the US and in Canada.

Mr. Renwick: Could I talk about that? Management's analysis of operations--this is the parent company--show net

earnings for the year ended September 30, 1979--so I cannot talk about September 30, 1980--"Higher sales of marine engines in the foreign markets, lawnmowers, vehicles and service parts were partly offset by reduced sales of higher sales of higher profit marine engines in the US."

So there was no overall drop in foreign market sales, as I take it, of marine engines. I am just quoting here.

Mr. Chairman: Mr. Renwick, if I may do two things: Mr. Ramsay has a supplementary, and in the interest of keeping the committee up to date on the time, it is 12:30 and Mr. Ramsay is also on the list. May he have a supplementary?

Mr. Renwick: I just wanted to follow this through a little bit here for a moment.

Mr. Chairman: I respect that. Could Mr. Ramsay have a supplementary at this point?

Mr. Renwick: Sure.

Mr. Ramsay: If I could just slip in here: I am confused. Did the production of units in Peterborough not increase from 1976, at a rate of 5,000, to 34,000 units in 1979?

Mr. Groombridge: Yes. They are subsequently now going to--

Mr. Renwick: They have gone.

Mr. Ramsay: Oh, they have gone now.

Mr. Groombridge: They are going.

Mr. Renwick: As of April 1980 the decision has been made that that run-up of increased production, that because of the lack of capacity in the US was met by the Peterborough plant, now that there is capacity in the US plant because of reduced US sales, has been taken from the Peterborough company under the term "rationalization," whatever that may mean.

I just want to point out that net sales were 12 per cent higher in 1979 than in 1978. It says: "Sales of marine products increased 10 per cent over 1977. A slight decrease in unit sales of outboard motors in the United States in 1978 was more than offset by price increases and the continuing trend to higher horsepower motors."

So I take it that this significant drop took place just recently in the US market.

Mr. Groombridge: In 1979, and particularly since the first of 1980.

Mr. Renwick: Continuing on into 1980.

Mr. Groombridge: Yes, there was a very dramatic drop in

1980; buyers were scared off by some purported government legislation in the US.

Mr. Renwick: I take it that the actual sales in Europe and in Latin America and the Far Eastern markets are continuing to increase, but your profitability is off because you are engaged in a competitive price operation in those places.

Mr. Groombridge: Partly because of that and partly because of inflationary pressures on costs; and the major drop-off in the US market.

Mr. Renwick: I think that satisfies my concern.

Just one other question: This industrial component operation, where you are going to supply what appear to be specialized components for industry and so on: your comment seems to refer to the fact that you are marketing those. Is it, again, simply that you will only market for the export trade on orders placed on you by your worldwide marketing operation? In other words, is your export trade in that branch going to be dependent on orders from your own sales organization?

Mr. Groombridge: Primarily, the orders are being generated through our own efforts in Canada.

Mr. Renwick: That was the next part I wanted to come to. Any you get from abroad will be in compliance with orders placed on you from your worldwide marketing operation?

Mr. Groombridge: The worldwide marketing operation is not involved in this program. There is a program in the US and there is a program in Canada to develop original equipment manufacturing business. We are getting this business, primarily, through our efforts to supply Canadian manufacturers of products with components.

Mr. Renwick: In replying to my colleague, Mr. Laughren, on April 18, Mr. Grossman made that very distinction. There was a lot of rhetoric involved in it, but he carefully said, "I have in front of me of all sorts of pieces of equipment it is now bidding on, thanks only to the efforts of this ministry in taking that company to new sources of customers here in Canada." You probably know Mr. Grossman, so he did not really mean to exclude you from any participation in initiative on that, I don't think.

Mr. Groombridge: We certainly appreciate the assistance and effort of Mr. Grossman's ministry, along with the people from Industry, Trade and Commerce in Ottawa, and various--

Mr. Renwick: But for practical purposes, that area will be confined to Canada?

Mr. Groombridge: Which area? OEM?

Mr. Renwick: Yes, whatever it is; these industrial components--

Mr. Groombridge: We have a similar program going in the US.

Mr. Renwick: Your Canadian company has a program?

Mr. Groombridge: The US corporation has a similar program going in the US.

Mr. Renwick: Is it fair for me to say that any business that special components operation at Peterborough gets for overseas, including the US, will be incidental?

Mr. Groombridge: Incidental to which?

Mr. Renwick: Incidental to the capacity of the US organization to fill it; that you do not anticipate any growth in your business in the overseas markets. I guess I am complicating it.

Will orders for that industrial component part of your business be placed on you or will you seek out, in the export market--by "you" I mean the Canadian company--contracts for business?

Mr. Groombridge: Primarily we will seek out; but by the same token, if our counterparts in the US do come across business that is particularly suited for the Canadian operation, they could very well place the order on us.

12:30 p.m.

Mr. Renwick: I have the sensation that you are really talking about the Canadian market.

Mr. Groombridge: I am talking primarily about supplying the Canadian market, but there could also be some very healthy export business.

Mr. Renwick: Have you any big contracts overseas?

Mr. Groombridge: At the moment, no.

Mr. Renwick: None at all. Are you supplying any products overseas?

Mr. Groombridge: Are we supplying any products overseas?

Mr. Renwick: Including the US.

Mr. Groombridge: Not at the moment. We are involved in supplying some; but any big contracts, no.

Mr. Van Horne: Are you pursuing any?

Mr. Groombridge: Yes, we are pursuing them.

Mr. O'Neil: I have a supplementary on this, if I could. When the production of these motors was taken from the Canadian

operation and transferred back to the United States, did these contracts originally come from the US, were they given to you by the US company?

Mr. Groombridge: Yes.

Mr. O'Neil: So in other words, you feel they had the right to take them back--I suppose you would have liked to have hung on to them?

Mr. Groombridge: Decisions must all be made on a rational basis and--

Mr. Ramsay: Mr. Chairman, I have been out of the room a fair amount and most of my questions could well be redundant. Do you want to close at 12:30?

Mr. Chairman: I am sure Mr. Groombridge would agree to go on with it, as would other members of the committee. We do not want anybody to be shortchanged and we would be happy, and I am sure you would, to--

Mr. Ramsay: I will try to be very quick. A couple of my questions, I know, have been answered.

On page five you refer to the Pioneer Chain Saw Corporation, which has continued its manufacture. I assume that you are referring to the fact that you sold the chain saw operations, or the chain saw operations were taken over by the employees, is that correct?

Mr. Groombridge: They were taken over by the new company, Pioneer Chain Saws Incorporated, yes.

Mr. Ramsay: Is that company controlled by the former employees?

Mr. Groombridge: It was a combination of a major investor and the employees, yes.

Mr. Ramsay: Were they able to be successful in the chain saw field where Outboard Marine had found problems?

Mr. Groombridge: That is a broad question. As to their success, I think you would have to have them answer. They have continued and increased production in the last two years; and of course, as you are aware, they have now been acquired substantially by Electrolux, which, as I explained earlier, is now a family of saws. They have continued to increase production, yes.

Mr. Ramsay: I was not here at the time that was referred to; as I say again, my question may be redundant. What I am trying to get clear in my mind is what could this new company do to maintain the continuance of the company where your company, with all its American counterparts and its largeness and everything else, failed to do so?

Mr. Groombridge: That is a rather difficult question to

respond to, because you would have to know what their operations are versus what our operations are. In part, we see their continuing success stemming from the fact that they are now a member of an organization which is into a very broad segment of the chain saw industry, with a number of brands of saws.

Mr. Ramsay: Just one final question: Was the reorganized company able to develop its operations to a point that it became attractive to Electrolux?

Mr. Groombridge: I believe that had to be a fact if Electrolux were to make the major investment it has in that business.

Mr. Turner: Just a supplementary, if I may, Mr. Chairman: Was some of the apparent success of the chain saw business not due to the fact they were able to keep the distribution and dealer network which Outboard Marine had in fact put in place?

Mr. Groombridge: That was a part of their success, yes.

Mr. Ramsay: Just one final quick question then, and if you have already answered this or it has been referred to earlier today, please say so and we can just skip by. I have two quick questions, actually.

You mention on page nine, "Recent confirmations of and changes to tariff classifications has assisted the viability of Canadian assembly." We found that tariffs had a great deal to do with the problems of another company that appeared before us earlier this week or last week. I was wondering what you were referring to here.

Mr. Groombridge: In answer to your question, yes, we did discuss that earlier.

Mr. Ramsay: Fine, just forget about that one. Did you discuss earlier your comments on the mandatory retirement age from 65 to 70, possible changes in that?

Mr. Groombridge: I do not believe that specific question was expanded on.

Mr. Chairman: I think your view on that seems to be well made in your brief.

Mr. Groombridge: I think the points that we wish to make are made in the brief.

Mr. Van Horne: I appreciate your presence, gentlemen. We have the union people to talk with later on today. You have made a good presentation, a very informative one.

In the brief that you read to us there was no condemnation of the union and I am sure that you do not want to condemn them in any way. All of the things that are said here are relatively positive reflections. There must have been, however, some kind of

crisis that you had to work out that perhaps you did not dwell on here. Could you give us an indication of the major things you had to contend with in dealing with the workers?

Mr. Groombridge: I do not want to give the impression by our comments in the brief that the union has not been aggressive, they certainly have.

Mr. Van Horne: You would expect them to be.

Mr. Groombridge: Yes; but I think in its aggressiveness and in our aggressiveness, particularly in this past period of transition, we have tried to recognize what the long-term goals can be for the Peterborough operation and have tried to work towards that.

Mr. Van Horne: If you had to pick out one major problem you had to resolve with the union, what would that problem be?

Mr. Groombridge: Recent negotiations.

Mr. Van Horne: You are not going to get into any detail on that, I suppose.

In so far as the existing legislation is concerned re severance, termination notice and all of the other things that are there, where does the legislation fall short of the mark in your view? If there had been better legislation, in whatever area, would the last few years have been any easier for you? As legislators, we have to look to improving legislation if in fact it needs improving. Could you tell us where the present legislation falls short of the mark?

Mr. Groombridge: We do not see legislation, at this point in time, falling short of the mark. We are concerned, as I addressed in rather succinct terms in the brief, about increased legislation. There is, without a doubt, substantial concern on the part of the industry, on the part of investors, where you become progressively more administered by legislation. The extension of the period of notice required is a good example, where that can become a major--

Mr. Van Horne: It tips off the marketplace.

Mr. Groombridge: Some of the European countries, particularly Belgium, have reached the point that industry just will not locate there because of the restrictive legislation. There is only one way you can have industry and employment and that is by investment.

Mr. Van Horne: You need less government, rather than more government.

Mr. Groombridge: Yes.

12:40 p.m.

Mr. Chairman: If I may just interrupt, I want to do two

things in the time that we have available, and if time permits perhaps there is another supplementary observation you could make.

On behalf of the committee I would like to welcome Frank Biss, director of development for the city of Peterborough, who is in the audience today and I hope will be with us for the rest of the day.

Just prior to Mr. O'Neil's concluding comment, I wanted to thank Mr. O'Connor and Mr. Groombridge for your time and your assistance with us this morning. I think that, if not directly perhaps through the staff of the committee, we will be looking towards receiving more information to help us in our deliberations.

Mr. O'Neil: One bit of information given to us was a comment, whether it is true or not, that the United Steelworkers of America say that the layoffs result from industrial contraction due to high unemployment in the US. The government there is offering incentives to multinationals to relocate jobs in the US.

Do you have any comment on that? Do you know whether at any of these plants in the United States where some of this work is done, governments there have offered incentives and they are receiving something from the government that makes us less competitive?

Mr. Groombridge: The regulations from state to state are different. There are states within the US that will provide substantial funding, substantial incentives to industry to locate in those states, that is beyond the legal position that the province of Ontario can take.

In other words, a municipality in Ontario cannot give any particular advantage to a firm to locate there. In the US there are some municipalities and some states that do allow that.

Mr. O'Neil: Were any of your American plants given these incentives?

Mr. Groombridge: We have not built a new plant in the US for some period of time; there was a relocation about four years ago, but to my knowledge we have been contracting rather than expanding.

Mr. O'Neil: In the United States?

Mr. Groombridge: Yes.

Mr. O'Neil: So you do not know that any of those plants have received any initiatives at all from local governments, whether they be municipal, federal or state?

Mr. Groombridge: I am not aware at this point, no. There is the DISC program--the domestic international sales corporation program, I believe, is what it stands for--which is a federal program in the US.

Mr. O'Neil: What is it again?

Mr. Groombridge: It is a program that has been in place in the US for some period of time. I believe that the manufacturing incentives program in Canada was, to a degree, initiated to offset that program.

The DISC program in the US is designed so that where they ship for export a certain amount of their earnings can be held tax free as long as it is deployed in a certain manner. I am not familiar with the legislation, but that is a federal program.

Mr. O'Neil: Do you know if your company has made use of that particular program?

Mr. Groombridge: Yes. I believe most US industries doing any exporting utilized it on a worldwide basis. The manufacturing incentives program, federally, was designed primarily to offset it.

Mr. O'Neil: In other words, if that motor production was taken away from you and taken back to the states, produced in the states and then exported to South America, those American subsidiaries or parent companies are going to get more of an incentive to produce them in the states than they would here in Canada.

Mr. Groombridge: That is a possibility. Again, it is a very technical question; and I reiterate, our own federal government's manufacturing incentive program, I believe, was designed primarily to offset that.

Mr. Chairman: Gentlemen, again thank you very much for your help. The meeting is adjourned until two o'clock in room 151 and we will have our luncheon meeting in room 230 upstairs.

The committee recessed at 12:46 p.m.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

WEDNESDAY, NOVEMBER 26, 1980

The committee resumed at 2:28 p.m. in room 151.

OUTBOARD MARINE CASE STUDY
(continued)

Mr. Chairman: We have a quorum and I will call the meeting to order. On a point of order, Mr. John Turner has a clarification.

Mr. Turner: Yes. Just to clarify the record, the covering letter attached to the Outboard Marine material prepared by our research staff, says, in the fourth paragraph: "In 1977 the company decided to close its chain saw operation for economic reasons. This resulted in an employee takeover of the chain saw operation, together with Montreal businessman Joseph Mason and the help of a \$6 million federal government loan."

I would like to say very clearly that the Ontario government was very closely involved in the financing of that with a \$2.5 million loan.

Mr. Mancini: That sounds like a political statement.

Mr. Chairman: In this building?

Mr. Turner: Without fear of being parochial, I would point out that actually the Ontario government was first in.

Mr. Mancini: It sounds like a political statement to me.

Mr. Turner: That should really be recognized by the committee and the staff. Thank you very much.

Mr. Martel: It warms the cockles of my heart.

Mr. Turner: It had better. It saved a pile of jobs, I can tell you.

Mr. Martel: I wish they had done it in Windsor and Sudbury.

Mr. Turner: You did not call me.

Mr. Chairman: Carrying on with the Outboard Marine case study, we are fortunate in having Mr. Stewart Cooke and some of his colleagues from the United Steelworkers of America here this afternoon. Mr. Cooke, you have been in this building a good number of times and have participated in a variety of committees. Would you be good enough, sir, to please come up to the microphone, be joined by as many of your colleagues as you would like with you.

Mr. Cooke, you are very familiar with the proceedings. What the committee would like to do is to hear your presentation. If it is a formal brief, we would like to get copies of it. If it is just an opening statement, we would be delighted to hear it. We would like also you to entertain questions, if you would, after that.

Mr. S. Cooke: Mr. Chairman, I want to make a couple of statements. For this situation I have asked the president of our local union 5009, Jim Stewart, to give us the scenario as it affected the people there.

We have not tried to come before you with serious statistics which are minutely accurate. We are trying to give you a general picture. The numbers we have will be approximate numbers.

I think there is one correction that Jim will want to make as he goes through. I do not want us to get into a debate about whether we had a layoff of 50 people or 52 people, or such things. We will be dealing with these things in terms of approximations so that you get the significance of the moves at the particular times.

I want to say this to you. This union, at every level, has become disillusioned with the Outboard Marine Corporation to the extent that I make this public appeal. The government of Ontario tried to put together an entrepreneurial group that would take over the operation of Outboard Marine before the people of Peterborough see one of our most grounded operations disappear totally and just dissipate into the dust.

2:30 p.m.

It has been a profit-making organization. It has the capability to engineer, design, manufacture and assembly and it has the capability to sell and make a profit. It has demonstrated that over a good number of years. It is now placed in jeopardy solely because it is owned outside of the country. Corporate decisions are being made against the local operation in Peterborough to the point that we feel it is in jeopardy.

We have been told the company will not be manufacturing anything. We were told this summer, in August, that in a year's time--from that time--it would not be manufacturing anything.

Our feeling is that when the manufacturing capability disappears it will become an assembly and distribution point, and then there would be nothing to stop it from becoming just a distribution point, because the extension of the assembly runs in the US could easily make up the need, and if it is a corporate desire they will make that change just like they have made all of the others.

I would like to ask Jim Stewart now if he would present this scenario which he has put together at my request so you will know directly how the local union people feel. We have with us, of course, the list you gave us this morning and between us we will try to answer any of the questions you might have.

Mr. Chairman: Thank you, Mr. Cooke. Mr. Stewart, may I say something just before you begin, because I do not want to interrupt at any time.

This is a peculiar place. I have been waiting for five weeks to get an appointment with Mrs. Margaret Birch, which I now have for today at three o'clock. In 10 minutes I will leave and I do not know that I will be back. Mr. Hugh O'Neil, the vice-chairman of the committee, will probably be in the chair by the time you have finished your submission.

Thank you again, Mr. Cooke. Mr. Stewart, would you carry on please?

Mr. Stewart: Mr. Chairman and members of the committee, before I start, I would just like to draw your attention to page three, the second line from the top: That figure should be "250 to 350."

I will open with a brief history of the Canadian division of Outboard Marine, established in Peterborough in 1928. There were eight employees with none on layoff. The numbers and product lines grew until in 1973-74 there were about 2,300 employed in the plant in Peterborough.

The bread and butter of this division--and, for that matter, the entire corporation--has always been the outboard motors and Lawn-Boy lawnmowers. Johnson and Evinrude combined to share the largest portion of the outboard motor market in all of North America, and currently enjoy about 50 per cent of the entire Canadian domestic market. These units have always been built in Peterborough, the only Outboard Marine Corporation facility in Canada as well as the only Canadian manufacturer of outboard motors.

In the late 1950s, Outboard Marine Corporation of Canada Limited in Peterborough began producing the Pioneer chain saw. It was quickly declared one of the finest saws in the world. Following closely behind, the corporation began in the 1960s to make snowmobiles bearing the Johnson and Evinrude names. Both the Pioneer chain saws and the snowmobiles were unique product lines in Outboard Marine Corporation because they were all Canadian-made. All of the product lines in Peterborough seemed to receive favourable market acceptance, while the corporation in general headed for the billion dollar gross sales plateau.

Then, very suddenly, in 1974, the heads of the company in Waukegan, Illinois disclosed plans to discontinue manufacture of the snowmobile product line completely. Predicting a healthy and stable future, they pulled the rug out from under 350 employees.

With the fears spawned by that move barely having subsided, the corporate axe wielded another stroke. Out of the boardrooms came the announcement of the closure and sale of Pioneer chain saws. Another Canadian product down the drain? Not to be, for, thank God, we were able to see successful negotiations for the purchase of the assets of Pioneer by 82173 Canada Limited, the forerunner of the now Peterborough-based Pioneer Chainsaw

Corporation, employing about 500 people. I am proud to say the Steelworkers played a major role in that development.

The net result of this, however, was the eradication of 300 more jobs from Outboard Marine Corporation. Overseer of this emasculation effort was our then president, American Mike Potter. He was relatively successful in making most people believe this decision was necessary to make us more stable and to clean out the dead weight. Now it seems almost laughable to remember some of these employees praising Mike Potter's genius when, in fact, he was only the instrument. At that point, little did we know how quickly the scenario would have another chapter fashioned by our American owners.

In December 1979, locals 5009 and 5068, United Steelworkers of America, uncovered evidence to show that a serious shift of production of components or parts was taking place. Hundreds of machining operations were slated to go Stateside, with not a word from the company to its employees here. We confronted the company officials with our evidence and they set off to secure enough information to satisfy our curiosity.

In February 1980, Local 5009 officials were summoned to a meeting and were told of the consolidation of parts manufacture for all North America to Waukegan, Illinois, and Milwaukee, Wisconsin. All of the 1,200 parts making up an outboard motor and the almost 300 parts making up a lawnmower would be completed in the United States plants and trucked here for assembly. This move, when complete, would phase out 250 to 350 jobs. Assurances were given at that meeting of the safety of our assembly portion of the plant: it would not be touched. This included the export motors for South America and Africa, a market developed in Peterborough by the Canadian division and one which took 45 per cent of our total outboard yearly production.

Needless to say, fear and indifference among our members were attached to the consolidation announcement.

At this point, the company announced the formation of the industrial components department. This vehicle was to provide, through bidding, outside contracts to offset the impending layoffs. From the beginning it was obvious to the union that little fruit would be born of this venture, given the size and complexity of our facility. We believe the company is resigning itself to that fact as well. It is product lines, it is becoming a parts supply specialist, or it is nothing. There are few contracts to be won which would utilize all of our different departments. Even if we could win one, we fear the US plants would probably find a way to take that also.

With their plans going along on schedule, we were faced with still another dilemma a couple of months later. We were told of the removal of all of our outboard motors for export from our system over the next two model years. Remember, that constitutes 45 per cent of our yearly production of outboard motors in Peterborough. Yet only two months prior, we had been assured our assembly portion would not be touched. We are talking about 250 jobs lost by this move alone.

Recently the local union dealt with still another development which could have serious effects on the employment situation in our plant. I speak of the question of the seven and a half per cent protective tariff Outboard Marine Corporation of Canada enjoys. All imported complete lawnmower parts, as well as the engines of all of our competitors, are subject to this tariff because they do not manufacture the parts here in Canada. OMC is the only manufacturer of lawnmowers in Canada.

A very strong lobby, made up of all our major competitors, was wooing the Ministry of Finance to have the tariff lifted. We had been told emphatically by the company of the immediate effect on 125 more jobs if this move was successful.

On Thursday, September 18, 1980, the Local 5009, United Steelworkers of America, negotiating committee and the president, together with our staff representative, Grant Taylor, district director Stewart Cooke, and national director Gerard Docquier, made presentations in Ottawa to the Finance ministry and the Honourable Herb Gray, the minister responsible for industry and trade, in support of keeping the tariff in place, as well as reviewing OMC's actions over the last five years, concentrated in the last year, to dismantle a productive, profitable Canadian division of an American-owned company. The Peterborough operation has never had a bad year, has never lost money and, as a matter of fact, has set sales records every year since 1977.

Following close behind this lobby, the appearance of another is feared, made up of our competitors in the outboard motor field, whose purpose would be to see the 15 per cent protective tariff OMC Canada enjoys lifted because it is the only Canadian manufacturer of outboard motors as well.

We also fear the tariffs on lawnmowers and outboard motors will eventually be removed because of the consolidation of parts manufacture to the United States. When we no longer make parts, we probably will not longer qualify.

For now, we need time, time to allow government action as well as time to try to deal with the many problems facing the most senior members of our local unions. That is all we have now, senior people. Life may well begin at 40, as the saying goes, but your ability to sell yourself in today's job market is certainly impaired from that point on. Transitions faced by people are more than frightening at this point in their lives, after 20 or more years of employment stability.

2:40 p.m.

If something positive does not happen at our plant, we have been assured of the continued deterioration of our work force. It is beyond comprehension how a federal or provincial government can sit by and observe the castration of secondary industry of a branch plant nature; watch as the plants housing this facet of our industrial fabric become nothing more than fossils in the communities they once helped support.

Briefs have been presented by Local 5009 of the

Steelworkers, along with our district and national directors, to provincial Labour minister Robert Elgie. As stated earlier, Ottawa was approached as well. We hope all of this is not in vain.

American control of our economic wellbeing must be dealt a strong blow before they buckle the knees of Ontario's financial base, ending her reign as the industrial giant of the provinces of this country.

Time is running out for those of us at Outboard Marine as well as for hundreds of Canadian workers in branch plants owned by American corporations. It is time to find the solution before permanent scars find their way onto the face of this country.

How the final chapter of our story will read one can only speculate. The chief executive officer in Waukegan knows very well, but he chooses to play with us as if we were the mouse and he the cat, clutching with his sharp claws just enough to hurt, while plotting our demise. Currently our local union has 600 members. In February of this year we had 1,000. You figure it out.

Apart from all of this, the greatest fear we have is one of seeing the manufacturing capabilities of our plant diminish through the dismantling of certain departments. Our facility is unique in a sense. We can pour liquid aluminum and magnesium, die cast parts, plate parts, heat treat parts, machine parts, design tools and parts, make dies and fixtures, stamp out parts, and compete in terms of quality with anyone in the world.

We have the technology to develop special-purpose equipment for industry. We have people in our facility who could man a research and development branch; they are that talented. Their knowhow and our overall machining capabilities have made Johnson and Evinrude, Lawn-Boy and Pioneer the state of the art in their fields in Canada. If our employment picture remains opaque, these people will search elsewhere for jobs; if this happens, we will truly be finished as a viable, comprehensive module of manufacturing.

The Acting Chairman (Mr. Van Horne): Thank you, Mr. Stewart. Do any of the gentlemen with you have anything to add to the brief that has been presented?

Mr. Cooke: Mr. Chairman, it might be useful if you heard an example of the ingenuity of this operation in dealing with the ring gear situation. I guess that would be as good an example as any. Perhaps we could have one of our members do that for you. Would you like to tell him about the ring gear, Mr. Farley?

The Acting Chairman: Would you come forward, sir, and take a seat so that you can be heard and also identify yourself, please. We need your name for the record.

Mr. Farley: My name is Frank Farley. I am the vice-president of Local 5068, office workers at Outboard Marine.

The Acting Chairman: Thank you, Mr. Farley. Carry on please.

Mr. Farley: I think one of the examples we have of being able to be produce parts in Peterborough is the ring gear. Throughout the corporation we have constantly been in trouble with this part. It goes on the flywheel. We had numerous orders of down time because the American divisions could not supply us with this part. They were constantly in trouble trying to get the proper machinery.

After trying different places throughout the world, actually, to see if this ring gear could be produced to our specifications, it was decided to give Peterborough Outboard Marine, with its technology, a chance to see if it could remedy all the problems.

This was achieved, of course, in Peterborough with our technology, and we became the supplier of this part to the rest of the divisions. We had no problems. After a six-month trial period, we had all the divisions out of trouble with the ring gear, and as a chronic problem for manufacturing it was history.

This is one of the parts that our people in Waukegan decided to move to Milwaukee. Since that time--and I can speak about this because I am closely associated with it--this part has been taken, along with the tooling and the machining, to Evinrude in Milwaukee. We have reverted to the problems we had before with down time on our current production lines, because of the fact that they are not capable of producing the ring gear to satisfy our production.

Is there anything else you wanted me to speak on, Mr. Cooke? That was an example of one item.

Mr. Mancini: I am very interested in your brief. It is not quite what we heard this morning.

Mr. Martel: You are perceptive.

Mr. Mancini: I was especially pleased that you mentioned the amount of the market for which the company is producing; that is, the corporation holds 50 per cent of the available market in Canada, which, of course, by any stretch of the imagination, would make it a successful company.

I want to ask some specific questions, and the first question concerns the Pioneer Chainsaw company which was part of OMC originally but which was eliminated from the corporation. It was mentioned in the brief that "82173 Canada Limited, the forerunner of the now Peterborough-based Pioneer Chainsaw Corporation," was the operation that took it over.

Could you give us some details on exactly who 82173 is, how they were able to put this deal together and what the situation is today--if that is an appropriate question?

Mr. Ramsay: Could I ask a supplementary at the same time? One of my questions was going to be almost identical to that, with the added point that I could not get a reply to this morning when I asked the question of the management people. How is

it that the union people, along with a gentleman from Montreal, were able to successfully operate a chain saw plant, whereas Outboard Marine with all of its expertise was not?

Mr. S. Cooke: We do not think that at all.

Mr. Mancini: Maybe you could deal with my question first.

Mr. S. Cooke: We will deal with them both.

The company was put together with the help of a lot of people. The province of Ontario and the federal government both made guarantees and assisted the corporation. They held shares and the employees bought shares.

An entrepreneur by the name of Mason who has a very good eye for making a buck was available to take that on and put it together. He had experience before in the pulp and paper field in rescuing an operation that had similar opportunities available to it, and he had a reputation for it, so the government people were prepared to accept his history in the business of putting together a company with employee co-operation.

I guess the employees still own their shares. They are the only ones who have not given them up. The federal and provincial governments decided to sell out to Electrolux, but before it was sold to them the company made a profit in its first year of operation. We believe it was really doing so for OMC also.

Of course, departments of companies or segments of companies are made to look good or look bad, depending on which part or segment of a company is charged with certain of the overhead costs of the company. It is not hard to make one branch look bad and another one look good.

2:50 p.m.

I do not know why the Pioneer chain saw was discontinued in Peterborough, except to say this, that while it enjoyed a great reputation in Canada and overseas, there was no sales effort made of any significant amount in the United States market. Therefore, looking at that as a product, I could see why, perhaps, Waukegan might say, "This is not an important thing for us to be into, and if we are consolidating and going back to our base products we will look at the runs that we produce most." That would be the only reason, I would say, that they might leave that product.

Mr. Ramsay: One other question, Mr. Mancini, and I promise I will keep quiet and not interrupt you again after that: How did the workers who had put their money and their efforts into Pioneer feel when the provincial and federal governments sold their equity to a multinational? Would they have preferred it to stay in government hands, or were they happy to have outside investment?

Mr. S. Cooke: I do not think that point by itself is one about which I have heard a great deal of expression. You have to understand that these people had been faced with the loss of their

jobs when Outboard Marine went out of that business, and Pioneer got operating with the help of these various groups and was showing a profit and going ahead. When the change was made, it was still going ahead and the employees were feeling reasonably secure.

It is that that overcomes what you might consider to be a question that you would bother about, who owns and who controls the company. They still have their spot on the board of directors and they still have their shares and those shares have a lot more value than they had when they were paid for, so they are not feeling insecure. That is what they have overcome.

Mr. Turner: Mr. Chairman, may I interrupt?

The Vice-Chairman: Mr. Mancini, will you permit another supplementary?

Mr. Turner: No, it is not a supplementary; it is a statement.

Mr. Mancini: Not another political statement. You have made two already and we have only been here an hour.

Mr. Turner: Mr. Cooke, my understanding was, in actual fact, that the Ontario government did not have an equity position in the company. It advanced money to it and that money has been paid back in full, and I presume the same is true of the federal government.

I just wanted to make it clear that we did not hold an equity.

Mr. S. Cooke: That is not unusual for the Ontario government.

Mr. Mancini: I want to understand this a little better. What you are telling us is that the chain saw operation was a viable, profit-making enterprise for OMC, and the reason it wanted to eliminate this operation from its line was because it felt the need to consolidate its operations and go back to what the company founded itself on, basically lawnmowers and outboard motors. It could be for no other reason.

Mr. S. Cooke: I have no idea what other reason there might be, because they did not give any other reason. Their public statements were as I have told you.

Mr. Mancini: It seems highly suspect.

Mr. S. Cooke: The fact that it was a viable operation has been measured not by me but by those who have taken it on. You know, when you withdraw a product like that and there is all the publicity there was about the closure of Pioneer, there is generally a great reticence on the part of people to purchase, but it was a good enough product with a good enough reputation that within its first year it made a profit.

Mr. Mancini: It seems incomprehensible that any company,

strictly for economic reasons, would want to close out a profitable part of its corporation. I am just relating a view here; I am not agreeing with the decision that was made, just trying to see if there is more there than meets the eye.

Mr. S. Cooke: I want to say this, Mr. Mancini, because it is important for people in today's world to know it. It is no longer just a matter of whether something makes a profit or whether it is considered to be a useful and continuing process. That used to be the standard. That is yesterday's standard. Today's standard is whether or not we can maximize profits by making some other changes, regardless of the costs to anybody else. That is the corporate boardroom today. I know, I read it.

Mr. Mancini: What you are saying is they felt they could use the money they had invested in the chain saw and get a higher return investing it somewhere else.

Mr. S. Cooke: Whatever. They might decide to do anything.

Mr. Mancini: The matter is still confusing, not from the point of knowing what the developments, but the matter is still confusing as to why anyone would want to eliminate a profitable enterprise. Of course, the fact that someone else has come in and made the operation viable further clouds the whole decision.

Mr. S. Cooke: Mr. Mancini, I think you are right. It is difficult to understand, and this is part of the reason we are here. The whole Outboard Marine Corporation operation has been a profitable operation, and it is being dismantled in front of our eyes. That is difficult to believe, difficult to understand. That is why I make the appeal I do, before it is destroyed. Peterborough needs it. Ontario needs it. Canada needs it.

Mr. Mancini: Moving on to the snowmobile division, I take it, if my facts are correct, that the snowmobile division was closed off in 1975 and no further manufacturing was done here.

Mr. S. Cooke: The same reason was given for that.

Mr. Mancini: Had they discontinued the snowmobiles altogether, or are they servicing our market from without?

Mr. S. Cooke: They do not manufacture them at all.

Mr. Mancini: Was the snowmobile operation profitable? Do you have any idea?

Mr. S. Cooke: It was for a while--I do not know for how long--but not in the end.

Mr. Mancini: Was it a cyclical downturn or was the whole operation sour?

Mr. S. Cooke: It was a very competitive field. As you will recall, there were a lot of people in snowmobiles at the same time.

Mr. Mancini: Did you have any concerns about the phasing out of that operation? Was it your feeling that the company should have tried to pursue the market? Was it your feeling that maybe the company should have done other things to improve its stature within the market? Or was it an enterprise that, in the real sense, was not economically viable?

Mr. S. Cooke: There was a tremendous rationalization of the snowmobile industry, and a lot of people went out of it. A lot of people had gone into it at the same time. There was over-production and over-capacity. I would not question that particular one. If they had gone ahead and promoted the sale of the chain saw, for example, in the United States, so that it picked up the vacuum--but they did not do either.

Mr. Van Horne: I would like a supplementary. This may have been answered this morning, but, certainly, of the hundreds of people who were in the snowmobile business they could not all have been manufacturers. I would have to assume that a significant number were simply assemblers. Do you have a breakdown on that?

Secondly, what proportion of the parts used by the companies that were basically set up as assemblers would have been supplied by Outboard Marine, or a firm as big as Outboard Marine?

3 p.m.

In other words, I am assuming that there had to be just a handful of basic parts manufacturers on the one hand, but rather a significant number of assemblers on the other. Is that an improper assumption?

Mr. S. Cooke: I do not have enough information to give you an intelligent answer on that.

Mr. Van Horne: There is a gentleman sitting back in the audience who is sort of shaking his head in the negative. If I can look at him to ask this question, is that kind of information available? Do you know?

Mr. Joiner: No, I do not think it is.

Mr. Mancini: It was mentioned in your brief and it was also mentioned this morning that certain machinery was moved out of Peterborough to other locations in the United States. Was that done over a period of time--two or three years--or was it done in a relatively short period of time, say, a few months? Was that just another product line where you were losing a piece of the manufacturing, or was that a bigger component of what was going on in Peterborough?

Would you have any idea at all of the size--and by that, I mean the amount of money the equipment was worth--of the exit out of the Peterborough area? It was mentioned in the company's brief this morning that certain machining operations had been moved, and you also mentioned in your brief that your machinery had been moved out of the area. I would like to know the magnitude of that.

Mr. S. Cooke: I could not put a value in numbers on it. These are the tools for machining the parts and for manufacturing the parts that are being moved. Many of them were designed and made in Peterborough. We made our own tooling. I cannot give you a number for the value of it, but it was the tooling for making the parts for the products that were manufactured in Peterborough and that are now being made elsewhere.

This has been happening over a few months. It is going to continue to happen until there is no manufacturing in Peterborough. We have been told this by the company. They will manufacture it elsewhere. They will take whatever tooling exists in Peterborough that they do not have elsewhere to manufacture this.

Mr. Mackenzie: May I make a point of clarification, because I realize the questions were not thorough this morning. It is more the machining capability for the tools than the machinery itself. As I understand it, not an awful lot of machinery has been moved.

Mr. Mancini: It is technology, the knowhow.

Mr. S. Cooke: It is the tools.

Mr. Stewart: I would just like to comment a little further on that. It is important, I think, to understand that we have a process in the plant in Peterborough that is duplicated in our other facilities. They manufacture the same things we do.

What is happening is that the machinery may be idled. It is not necessarily moved because they may already have that equipment in place, maybe not exactly the same piece of equipment but something that will do the job, in the facility where the part is going to be manufactured.

At this point it is only a very small number of machines that have actually been sent out. Usually it is because we have no use at all for them in the plant now. But it does not necessarily mean the tooling and the fixtures. If they are not redundant, then they will go. The machine itself probably will stay.

Mr. Mancini: Thank you. I think I understand it a little better now. Basically, the research and development that was done here in Canada is being sent over there and we are going to have the parts sent back to us and we are going to put them together.

Mr. S. Cooke: I guess in a broad sense that is true. R and D is thought of in a number of ways. In total, yes, that would be true.

Mr. Mancini: I would like to ask a little bit about the manpower and adjustment committees that have been getting a lot of attention these days, the committees that have been set up to assist workers in finding new employment and that type of thing.

I wonder if that happened in this case here in Peterborough, if one of those committees was set up, what you thought of it

after you saw it operate for a while and whether there is a place for those committees, either the way they are now or with changes to them.

Mr. S. Cooke: Our only experience in terms of having such an active committee working would be the 1975 period. I do not know. Would you consider that a success?

Mr. Stewart: I served on that committee in 1975. For the number of people who participated it was relatively successful. We just happened to hit on a period when a lot of the small industries in Peterborough were starting to expand and we were able to open a few doors for the people who wanted assistance. It did not really last very long and, as a matter of fact, the company finally, for reasons known only to it, gave us the required notice and opted out of it.

I recall that the former vice-president of the Canadian division, Bruce Payne, was the chairman of that committee. In his remarks he said he was very disappointed in the effort put forth by the company in that it did not have middle-to-upper management people that it could release to sit on the committee, and that presented a number of problems.

The committee was not able to operate without waiting for them to go back and get permission to do certain things. You could have stuff duplicated in the plant and things like that. It was the people in low levels of management. In that sense, it was ineffective.

Mr. Mancini: What you are saying is that there probably is a place for these committees but it did not work well in your circumstances.

Mr. Stewart: I cannot qualify it any further than that. That has been our experience with them.

Mr. S. Cooke: In my opinion--and I have had a number of experiences across the province--they are very disappointing efforts, those committees. I do not know, with very few examples to the contrary, a good reason for their existence except window dressing, in many cases.

Mr. Martel: That is what Steep Rock told us yesterday.

Mr. Mancini: Yes. Some people said they have been successful, but very few. Most of the comments, if my memory is correct, were that the committees have been rather disappointing.

Mr. S. Cooke: There is a lack of information. You know, we do not have an audit of jobs and job openings. There is no information for a committee to use. Those committees could be very effective if this country of ours and this province of ours had the statistics and the information and the qualifications listed and available for people to work with.

We see situations like Duo-Matic, which, obviously, had to go out of business because of the oil business. Nobody wants oil

furnaces now; they have been told not to have them. Obviously an oil furnace manufacturer is going to go down. Knowing that policy exists, that the country has set it, why do they not take an inventory of what is available in that shop and see that there is a changeover made, so that workers match the jobs that are available in our society? They do not do any of that.

Those committees do not have information to work with.

Mr. Mancini: What you are saying is that there has to be a lot more done before the committees can ever be viable.

My next question is one that practically all the members of the committee have put to people who have come before us to make representations. I guess "explanation" is not the right word, but what has happened to a great number of the former employees? Have they stayed in the Peterborough area? Have a certain percentage been able to find jobs? Has the vast majority taken early retirement? If so, what have been the penalties for that, et cetera?

Do you have any information of that type with which you could provide the committee so we can get a real feel as to how real people were affected by this particular closure?

Mr. S. Cooke: I do not think we have been able to operate on the same basis as you might in a place like Steep Rock or Caland, where they are shutting down an operation in short order. Remember, these things have been done over a fairly long time. You do not set up the machinery to assist the movement of a lot of people when they are just dribbling out.

When it did happen with Pioneer chain saw, of course, they were moving to another location and starting up another operation and a lot of jobs were there. It was transferred, in a sense.

Mr. Mancini: I have no further questions, Mr. Chairman.

3:10 p.m.

Mr. Martel: We had yet another typical case before us this week, Mr. Cooke: SKF, which was slowly but surely dismantled, line by line by line, until it was decided that it could no longer operate viably in this country. This is not a new problem.

As you know, there was a previous select committee that sat for four years and made 21 reports and the government did not act on any of them, virtually. This problem was studied intensively from 1971 to 1975. I think the major recommendation that was accepted--in fact, it was exceeded--was that 20 per cent of the board of directors had to be Canadian. The government was very generous and went to 50 per cent. But that does not mean a row of beans.

This is yet another classical case where the shares are held in the United States by the parent company, the decisions are made by the board of directors in the United States with some input from whoever represents the Canadian firm but not on the ultimate

decision, with little research and development, and where the company slowly slashes here, there and everywhere until there is justification for moving back home.

I see no difference between what SKF is ultimately doing and what, really, Armstrong Cork or Outboard Marine is doing. The pattern is the same, even to the point where some of the presidents are not from the host country but from the country where the parent company resides; namely, in this instance and in many cases, an American, or, with SKF, a Swede, but someone who ultimately does not have any allegiance to the host country.

We viewed dozens of companies when we looked at branch plant multinationals over that four-year period. I came to conclusions then and some of us made very strong minority reports because of this pattern. It might be interesting for some of my colleagues to spend this evening reading the 21 reports.

Mr. Mancini: You do not have anything else to do.

Mr. Martel: You would find in those reports many of the recommendations which ultimately should come from this committee.

Mr. Turner: I hope you noted that the president of the Outboard Marine Corporation of Canada not only comes from the host country but from the host community.

Mr. Martel: I understand that, but I also understand, from the brief I have before me, that--when did that occur? The brief referred to the president of a couple of years ago. I think they used his name in vain, no less. I am looking for it. It is in here somewhere.

Mr. Stewart: Mike Potter.

Mr. Martel: He was not a Canadian.

The decisions are made as they start cut back and set up the scenario which ultimately occurs. It takes a little while to implement the entire situation. It does not occur overnight. It is a systematic dismantling that goes on over and over and over.

If you want to read an interesting book, read a little book called Galt USA--now Cambridge. It is an interesting little book about what happened in Galt with multinational after multinational after multinational. It makes good reading. You can read it in a couple of hours. The same pattern was there, the same pattern that I heard about over and over again from 1971 to 1975, and we are now hearing it again.

The Vice-Chairman: How many reports did you say there were?

Mr. Martel: Twenty-one.

The Vice-Chairman: Would they be available? Do you think they would be worthwhile reading for the committee?

Mr. Martel: I think just the recommendations, Mr. Chairman. They deal with mining, investment, the electronics industry, the pulp and paper industry--a whole series of industries. The major recommendation was that Canada and Ontario must move to manufacturing and away from a reliance on resource development. That is what came out of those 21 reports. In Ontario, of course, it is just the opposite.

Mr. Mancini: Were the recommendations agreed to and signed by all members of the committee?

Mr. Martel: No, they were not. There was pretty good agreement except when we got to resources, and the only three people who signed that one beautiful document were--my friend Dick Smith joined Ian Deans and me in recommending that we get control of all the resources.

Mr. Mancini: The former Liberal member.

Mr. Martel: I must say that even the Tories said we should take up to 50 per cent control in the mineral sector. It haunts some of the present cabinet ministers that they signed their names to that document. It gives them great qualms. They do not like to talk about it. But after studying the mineral sector they found out, as we learned about Atikokan yesterday, that we cannot play the game any longer by the old ground rules.

I would recommend just the recommendations. You can run through them very quickly. In the mining report there are only 20 of them. If anybody wants to borrow them, I have them. I make reference to them frequently.

Mr. Ramsay: Do you have this book on Galt also?

Mr. Martel: I can look for that book. It is an interesting little book called Galt USA, and maybe our research people could get it for you. It is really an interesting little document.

The pattern is there, over and over and over. I could not help but chuckle as I heard the brief this morning: "A pure, simple, economic fact of life is that no industry or business can continue to operate in any location if that business is not economically viable." I do not think those are the decisions that are made.

It might not be economically viable in terms of what percentage you want, but I do not think that gives you the justification for closing up a plant and taking your bongo balls and going home. That happens all too frequently. We see it here. I want to get to some of the problems.

The tariff: As I read your brief, it is obvious that if the tariff protection-- Let me put it this way. You are moving to assembly totally now. You are not going to manufacture a thing.

Mr. S. Cooke: When the tariff disappears.

Mr. Martel: When the tariff disappears. And it will. Then what happens?

Mr. S. Cooke: It would be less likely that you could compete if you ever started back into the business of manufacturing.

Mr. Martel: Even in the assembly, Mr. Cooke.

Mr. Cooke: All you would need to do is elongate the assembly process in one of the larger operations and you could easily meet the needs of this market.

Mr. Martel: That was the same with the publishing industry. We just become the end run, as the fifty-first state of the union, and we just add a little more production into their end run in the United States and we serve a very small Canadian market of 24 million people.

If the tariff disappears one or two years down the road, the assembly operation, for all intents and purposes, will lead to the--

Mr. S. Cooke: There would be no advantage in having it.

Mr. Martel: That is right, so they will just serve Canada from the United States. That is what is going to happen in Peterborough. I tell you now, John Turner, that is what is going to happen in Peterborough without a tariff to protect it, when the tariff wall disappears.

One of the reasons you rationalize and expand your operation in the United States is so you can turn out an extra 30,000 motors, or whatever it is, and the raison d'etre disappears.

Mr. Turner: What makes you think the tariff is going to disappear?

Mr. S. Cooke: It has to. It is only on the manufactured products. When nobody uses the tariff, it disappears.

Mr. Martel: You can bring things in tariff-free if there is no one producing them in the country.

3:20 p.m.

That is what is happening in mining equipment. Most of it comes into Canada tariff-free. In the mining field, you bring in equipment--farming equipment, some of it; it is called mining equipment--and it gets over the tariff barrier because it is not produced in Canada, and the jobs are created in the United States.

For such a small portion of that large market of 200 million people, it is not advantageous to have a plant in Ontario or in Canada. That is the only reason they locate here in the first place, to get over the tariff wall.

Mr. S. Cooke: This tariff was created for OMC.

Mr. Martel: It was created for them?

Mr. S. Cooke: Yes.

Mr. Martel: If they rationalize enough and get production high enough in the United States, then they do not need the tariff and they will shut down the operation. It will just be merely an assembly operation here in Canada.

Mr. S. Cooke: The other thing, of course, is that they used the Canadian operation to develop a lot of overseas exports that they took to the United States.

Mr. Martel: I want to come to that, Mr. Cooke. It is my understanding--I raised this this morning. If I misinterpreted what the company said, I apologize, and my friends, I am sure, will correct me, but my understanding was that there was very little production here for export, that the operations were designed such that they satisfied the geographical markets wherever they had a plant, and that the Canadian plant was not for export purposes.

Maybe I misinterpreted the company's remarks and maybe the committee members could help me, but that is what I understood them to say this morning. I apologize if I am wrong.

Was that not your understanding, Mr. Mancini or Mr. Turner?

Mr. Mancini: That was exactly what was said this morning.

Mr. Martel: You tell us there were exports. The company tells us it was only here to satisfy the domestic market. What is the real world we are talking about?

The Vice-Chairman: Did they not say exports to South America? They did not mention Europe, but I think they did mention that there were exports to South America.

Mr. Martel: But it says in the brief here, "This included the export motors for South America and Africa."

Mr. S. Cooke: The export market to Africa, I understand, was interfered with by a corporate decision earlier to move some of that to Belgium, but there were exports to Africa as well as to South America.

Mr. Martel: From Ontario?

Mr. S. Cooke: From Ontario, yes.

Mr. Martel: Another rationalization that cut out a little chunk here and added a new plant there, and to hell with the Ontario worker.

Mr. Stewart: We manufactured--not only assembled but manufactured--a lot of the parts that went into those export motors. That market grew by leaps and bounds, as you can see from the company's presentation this morning, from the figure I think

they gave you of 5,000 in 1976 to 34,000 units last year. That market was growing by leaps and bounds.

Mr. Martel: Was that 34,000--and, again, I do not want to misinterpret the company's position--not just a request by a subsidiary, a sister plant or a sister company, to meet a specific request?

Mr. Turner: The orders were placed, as I understood it, with the Peterborough plant by another plant.

Mr. Martel: Yes, that is right.

Mr. Mackenzie: The orders were placed through a sales outlet that was different from the Canadian operation, but the Canadian operation produced them, as I understood it.

Mr. Stewart: We were satisfying that particular portion of the world market.

Mr. Martel: Was it just for the one year? I got that impression this morning.

Mr. Stewart: No.

Mr. Martel: Pardon me, not one year, but one specific order by a sister company to meet a specific request. I thought that is what I heard this morning. That was your impression as well?

What you are saying, though, is that, in fact, you were exporting there and it was not just a one-shot-in-the-dark deal.

Mr. Farley: We were supplying the export field as far as Outboard Marine was concerned.

Mr. Martel: You were supplying the export field?

Mr. Farley: That is right.

Mr. Martel: For Africa?

Mr. Farley: All over the world, wherever it was necessary. These orders jumped from 5,000 in one year to 34,000 in three years' time. We were producing these and we were producing them all.

Mr. Martel: It was just an aberration that I heard about this morning, that it was just a one-year shot.

Mr. Farley: I do not believe it was a one-year shot. I think Mr. Groombridge said that this morning, that it was an overload of production in Johnston motors in Waukegan and this was the overflow that we were getting. I do not think that was the intention at all.

Mr. Stewart: We have to qualify one thing. We are not talking about domestic markets; we are talking about the

commercial market in export. All our export motors were export commercial motors.

Mr. Martel: Explain that to me. Run that by me quickly so I understand what the hell is going on.

Mr. Stewart: Fishing fleets and things like that that used outboard motors--those kinds of engines.

Mr. S. Cooke: It was not just sports motors.

Mr. Turner: Is it a different engine? Is that what you are saying?

Mr. Stewart: It had the same power and basically the same engine, but there are certain subtle differences. There are modifications.

Mr. Martel: That is not the impression we were left with this morning. I find that disturbing, to say the least.

You were in the export business, but you are no longer in the export business for commercial purposes because the American corporate board decided it was time that the good old US of A supplied that market.

Mr. Stewart: That is right.

Mr. Martel: That is interesting to know.

Mr. S. Cooke: I think perhaps the extent of the exports that we are talking about could be demonstrated by a comparison of the total production at Peterborough with the amount that was exported. The total production was 77,000, and 34,000 went to the export market. We are talking about a fairly substantial part of the Peterborough production that was going to the export market.

The Vice-Chairman: When this contract for production of these motors was drawn back into the States, was there any increase in the amount produced by the States, or was there a drop in their demand for export? In other words, did that remain constant at about 34,000 in the subsequent years?

Mr. Stewart: It has just taken place this year.

The Vice-Chairman: The 34,000 was just this year?

Mr. Stewart: The last model year. The announcement was made in the spring of this year and, through the next two model years, they are going to take those units out of our system and install them in the system in Milwaukee.

The Vice-Chairman: The 34,000 we are talking about will actually be produced this year and next year. Is that what you are saying?

Mr. Stewart: No, not all of them. We have already had a

big chunk of them taken away. We are in the process of having them taken away.

Mr. Martel: I think what Mr. O'Neil is moving to, though, is that the United States will ultimately supply that market.

Mr. Stewart: Yes.

Mr. Martel: Instead of us.

Your brief indicates also that there was a 20 per cent drop in sales in the United States last year. If you are going to make up the jobs, if you are going to keep production at a level that will satisfy the jobs that are there, and if you have an option, where will you cut?

Mr. S. Cooke: Where it will not hurt.

Mr. Martel: Where it hurts most, and that is here. If you have a 20 per cent reduction in the United States and you want to increase production, you will increase production there and send it here. It is all dollars and cents though.

Mr. Stewart: Mr. Groombridge touched very lightly on a point this morning that maybe should be stressed a little bit. When you look at the financial statements that are available from the corporation, you will see that the 20 per cent reduction in sales in the bad year is not in that financial picture he painted.

He mentioned something about a piece of legislation that was announced by the federal government in the United States which would have curtailed the amount of fuel available for pleasure craft. As a matter of fact, it was even anticipated that they might have seriously rationed fuel for pleasure craft.

The immediate effect on the market was that all of a sudden everybody quit buying outboard motors. Outboard Marine--and, quite possibly, other manufacturing concerns--raised proper hell about that announcement. It was subsequently reversed, so that would take care of this particular year.

Outboard Marine is on the recovery, as I guess the people who look after the stock market tell us. Outboard Marine is one of the recovering stars. But that particular year I think probably that announcement by the government down there had that kind of effect. It curtailed sales.

3:30 p.m.

The Vice-Chairman: What year was that?

Mr. Stewart: That was this last model year, 1979-80.

Mr. Martel: You indicate--and I am trying to find it--that there were 300 parts or something like that involved in the production of lawnmowers, and 1,200 in the production of outboard motors. Of those, how many did you produce in Canada? How

many parts for outboards did you produce and how many parts did you produce for lawnmowers?

Mr. Stewart: If you went back, say, over the last 10 years, and if you had a graph you would see the line go like this as to the Canadian content in both outboards and lawnmowers. It has been increasingly moved to the United States to where now the Canadian content, I believe, is less than 50 per cent in the lawnmower, and that is mainly due to the crankshaft which is manufactured in Peterborough. We used to manufacture a goodly number of those parts for both of those units.

Mr. Martel: But you are only producing a very--

Mr. Stewart: A limited number now.

Mr. Martel: A short number of those. Do you see what I am saying about how the decisions are made, Mr. Turner?

Mr. Stewart: We will be doing none of them before long.

Mr. Martel: No, you are going to assemble. We are the greatest screwers in the world. We screw everything together.

You say there were sales records in Canada in 1977, 1978 and 1979. Do you have those figures?

Mr. Stewart: All we know is that they sold more units each year than they had ever sold before. In terms of dollars--

Mr. Martel: But the production increased.

Mr. Stewart: The production increased.

Mr. Martel: I am interested in this ring gear that we talked about this morning as well. You had perfected that, as I understand it, to a point where it made the machine work much better than had previously been the case.

Mr. Stewart: There were about 30 to 40 jobs attached to that operation as well. They went with it.

Mr. Martel: You lost the 30 or 40 jobs. They went off to the United States as well.

Mr. S. Cooke: With the tooling.

Mr. Martel: With the tooling and the blessings. You devised the expertise and the benefits went somewhere else. That is par for the course.

You see, I am cynical. No one could detect it, of course, but I am cynical. As I said, having been on three select committees now dealing with plant layoffs and shutdowns, I have reached the point of ultimate cynicism. Nowhere is there a social responsibility attached to the corporate sector.

I could not help but be interested in the analogy my friend

Jim Renwick made last night, that when the first automobile was invented and somebody got hit by the first car, a decision was made that there was a social responsibility on the part of the person who was driving the car and who hit the individual, and there was a move to protection. We do not have that sort of social responsibility.

Of course, the brief that was presented to us this morning quite clearly said that we should not have further government involvement. In fact, it went the other way and said, "A favourable and less restrictive environment will provide the incentive."

Mr. S. Cooke: Nobody is restricting OMC. All they are doing is dismantling the place.

Mr. Martel: Oh, but, you see, you must not be restrictive and say they are not allowed to do that.

Mr. S. Cooke: They are not being restricted, not in any way. They are not. They should be. There ought to be an encouragement to industry to stay here.

It is always interesting to me to see how people talk about a free environment for industry and we end up seeing what happens in all other countries. There is a lot more restriction, one way or another, in other countries than there is here. Industry adapts to it very quickly. It does not just disappear. Here, where there are not any restrictions, it is disappearing.

Mr. Martel: That is what we heard from Mike Rygus the other night when he told us that in other countries, with respect to ball bearings, you are told you must have a plant in the host country if you want a part of the action. We do not have that.

Mr. S. Cooke: We do not have anything.

Mr. Martel: It is like the wind. Companies keep moving away. There is a responsibility. Unfortunately, society picks it up in the form of unemployment insurance, welfare, deprivation, suffering--you name it.

Mr. Ramsay: Mr. Martel, you made a good point last evening about economic impact studies. I would like to hear what Mr. Cooke has to say about that, if you do not mind.

Mr. Martel: No, go ahead.

Mr. Ramsay: Mr. Martel brought out the point last evening that with all these plant closures there have not been any real studies done of the impact upon the workers. He quoted some figures to show the increase in suicides, attempted and real, the breakups in marriages, the numerous things that happen when plants close and families are dislocated and so on. Mr. Martel went on to say that he had gone forward on this to a certain degree by having some people at Laurentian University do a study about the Inco situation.

I was just wondering what the Steelworkers union, one of the largest unions in Canada, feels about that, whether it has any thoughts about doing some of these studies, or whether it feels that should be a responsibility of government. How do we go about getting these things done? I think it is a good idea and I would like to hear your thoughts.

Mr. S. Cooke: In the behavioural study field, there are a lot of people available. I think it would be a reasonable thing for government to do. I do not consider it a reasonable thing for a union to do.

We would certainly welcome a study of the people in Atikokan. The families there have broken up, either because the breadwinners have to go away to find work and their families are stuck in Atikokan, or they are out of work and living on unemployment insurance and unable to have the kind of activity in their community that they used to have, that they had for many years. They are very productive people. They earned good wages and they participated well in their community.

I would certainly be happy to see those kinds of studies done so that the social cost is understood.

We seemed somehow to find a way of catering to the development of places like Atikokan--that is, at a time when they were being built up--and we put a lot of social structures around it. We did the same in Peterborough. If the jobs disappear, then society remains responsible for the maintenance of those structures.

In Peterborough, in Outboard Marine alone, we have seen the 2,000 people in our bargaining unit drop to 600. We are talking about the P and M bargaining unit now. That is a great loss to Peterborough.

Mr. Ramsay: Those are numbers, Mr. Cooke.

Mr. S. Cooke: They are all people.

Mr. Ramsay: That is what I am getting at. That is exactly what I am getting at. They are numbers and they are alarming and so on, but they represent people and they represent circumstances. We keep talking--all of us, regardless of our philosophies--about numbers. We are not actually talking about the people and the circumstances they are exposed to.

Mr. S. Cooke: May I react by saying to you that when I talk about a number like that I multiply it many times to consider the people who are affected?

3:40 p.m.

Just as I was saying about the people in Atikokan, certainly the ones in Peterborough who have lost their jobs cannot play the kind of role they used to in their society. Each of the families affected by such a cutback involves a number of individuals who are playing a role at a certain kind of economic level in the

community. Each of those individuals is keeping others occupied. Each of those individuals is keeping others occupied. I would warrant that the layoffs in Peterborough make it difficult for at least five or six families other than that of the person laid off.

Mr. Martel: I think the ratio used is that for any major industry that comes into an area there is a corresponding figure of, I think, two other jobs created in the service sector and so on. Those people too, many of them, are ultimately displaced down the line. The costs become even greater, not only to the people but to the communities.

In my own instance, a town of 4,000 which loses 225 jobs like those at National Steel, a community that had just built an arena, that had just put in another subdivision, that had added on two schools--the taxpayers who are left have to pick up that cost. It is a tremendous cost to society.

Mr. Ramsay: I have been living in a glass house. This committee has been a real revelation to me. I come from a community, Sault Ste. Marie, that has had nothing but an excellent economy and--

Mr. S. Cooke: It is expanding.

Mr. Ramsay: Possibly not expanding population-wise, but certainly expanding with the millions of dollars which have been put back into the steel industry, with Algoma Central expanding and diversifying as well as Algoma Steel, and with the paper mill being saved by the dollar and this sort of thing.

I have never been exposed to circumstances like those in the communities of Peterborough and Windsor, or right here in Scarborough--whatever the case may be. I find the testimony I have heard in the last three or four weeks very revealing. As I said, I feel as if I have been living in a glass house

Mr. Turner: A protected life.

Mr. Ramsay: A protected life--that's right. That is why I would particularly like to see something done and some studies on the impact of these closures or these relocations and so on. Perhaps it is the responsibility of the government to start somewhere. I just wondered if your union, because of its size, had contemplated anything of that nature.

Mr. S. Cooke: We have done some things on occasion, but we have only a certain amount of facilities available. There is no way for us to deal with an operation like we see going on now in our society. If you take an isolated situation, you can maybe do something right. If it all happens at a fixed time, with reasonable limitations on your cost, you can do something. But as it is now, we have little plants here, little plants there, little ones here, little ones there, all over this province, including Sault Ste. Marie.

I wrote a letter to the minister today suggesting that he ought to look at a little foundry there because there is a problem

about relocation. He ought to look at the building of Sault Ste. Marie and the modernization of Sault Ste. Marie, whether or not that foundry will ever go back into operation again. I am worried about the jobs of 30 members of our union.

Mr. Ramsay: I cannot help but get this little push in. It was my suggestion, Mr. Cooke, that you be asked to write that letter to provide some support to me down here.

Mr. S. Cooke: I do not know quite how that came up.

Mr. Turner: That is a political statement

Mr. Ramsay: I did not realize it was you who was going to write the letter, but I did ask to get a letter from the union so that I could have some support.

Mr. S. Cooke: This union has been doing that regardless of who starts the appeal. This union has been doing that and sitting at the door of this government for 10 these many years.

I want to say this to you. I had the privilege of sitting as chairman of a subcommittee of the Premier's advisory committee on job creation and job retention in this province. We have not seen one of the recommendations of that subcommittee implemented.

Mr. Martel: I wanted to say one final thing on the studies. My colleague here just kicked me under the table so I will shut up. The difficulty with a study is that it takes--for example, in Atikokan 480 workers dispersed. You have to have the staff to follow those families.

Mr. S. Cooke: Atikokan did not lose 480 workers. There were 2,000 workers.

Mr. Martel: Yes. But in one company. I am just talking about Steep Rock.

Mr. S. Cooke: Steep Rock, at one time, had a lot more than 480 workers.

Mr. Martel: Yes. I am just saying that to follow them all takes a fairly substantial staff to do it, to find out what is happening to them. The government would have to be involved.

Mr. Ramsay: I realize that.

Mr. Turner: I will not take long, Mr. Chairman. I had most of my questions asked, I think, by my friend across the aisle.

Mr. Mancini: Spare us any more political statements.

Mr. Turner: You are becoming just a little bit annoying, my friend.

One thing bothers me. I referred to it this morning. I am not sure whether it was Mr. Stewart or Mr. Cooke. Mr. Cooke, I believe, asked Mr. Stewart to comment on it, and I have had many

people question this, the possibility of Outboard Marine leaving the community. We were assured this morning by the president of the company that they had no such plans in mind.

Mr. Stewart: "Current intentions."

Mr. Turner: I do not think he said "current intentions;" with all respect, I do not remember that. What is your gut feeling, if you will? What do you see that the rest of us do not see?

Mr. Stewart: I think there has been a trend established. You cannot just stick your head in the sand. If it doesn't stop, and it hasn't stopped--

The Acting Chairman (Mr. Van Horne): We are having trouble hearing you.

Mr. Stewart: The trend has been established over the past five years. If it does not bottom out, if we don't see and we haven't seen the end of it, if it does not bottom out then all of a sudden--the company made the statement this morning--it becomes just not economically viable any more. We have a plant that I believe has 600,000 square feet, most of it manufacturing space. We are not going to be manufacturing anything within a year; at least the only manufacturing we do will complement our bread and butter products.

I think that probably we are all engaged in an effort to be optimistic as far as our own little community in the plant, but one gets to the point where you have to face the obvious. If we don't see something positive happen, if we don't see something to support the manufacturing sector in our plant, that is what we fear. We fear it will just continue to deteriorate to the point where it will not be viable.

Mr. Turner: I think that is a general concern, but I guess what I was asking was--

Mr. Stewart: Mr. Groombridge did qualify his statement. He said "in the foreseeable future" that guarantee would stand. He did say in the foreseeable future.

Mr. Turner: Just to follow that, not to be argumentative but for my own information, it is more of a feeling, it is more of a perception than it is factual evidence--is that what you are saying?

Mr. Stewart: Even in the brief we have not said that we believe the plant is going to close. We have illustrated the numbers that have been affected by the specific moves, the apprehension and the indifference that is attached to that kind of thing as far as the people are concerned. We don't have any idea where it is going to bottom out, if it is going to bottom out. We do not know what the decisions are and I am not sure anybody in Peterborough does.

The Acting Chairman: Following along on that, are you

aware of anything that is being experimented with which would in fact see the type of products that we are talking about, basically the small combustion engine, anything that would replace that? Is there research going on that you are aware of that could see the bottom come within the next decade or five years?

Mr. Stewart: As far as our plant is concerned, I know there are a tremendous number of people engaged in trying to find outside work, trying to find something else to put in the plant. I think we have all come to the point where we realize it has to be something major. We either have to supply parts to an industry or we have to find a product line, something that will utilize the whole facility, because these shot-in-the-dark contracts, okay, you get your foot in the door with a corporation like Trail Manufacturing or IBM or anybody else, but you can't go around engaging 20 people and take six months to secure a contract that will keep six people employed for six weeks. You just can't operate that way.

3:50 p.m.

We have to find, and I know there are a lot of people working hard to try to find, that work if it is available and if we are able to do it given the mandate we have from Waukegan, and that is whether there is a ready pool of capital for the up-front money that is needed for equipment, for tooling. With that burden placed on the prospective buyer of the product, you are not going to be competitive very long.

Mr. Mackenzie: Just two or three questions, Mr. Chairman, and an observation with regard to the last little discussion we had on what might happen in the future.

John, I can't help but remind you of a film which we all saw on plant shutdowns. One of the things that disturbed me earlier was the president of the company calling the employees in at a series of meetings to tell them that not only had he heard these nasty rumours, he wanted to tell them that it just wasn't true, period, that there was any possibility of that plant shutting down. It was about a year later that we saw the doors shut at Prestolite and the last employee out on the street.

So you will forgive my cynicism in terms of guarantees, when you don't have the base to back it up, which is really what we are talking about here. The manufacturing base is going out of the plant and we are heading towards an assembly operation.

This morning we got sidetracked, or at least I guess I let myself get sidetracked somehow or other, on the export question, which I gather now from your testimony before us was about 45 per cent of your production.

Mr. Stewart: Last year.

Mr. Mackenzie: Last year. In fact you were supplying South American and African contracts at that time. I gather it was done through the sales outlet that the company has set up.

Mr. Stewart: However it was done, we were building them.

Mr. Mackenzie: You were building; that is the point I wanted to make. I am not sure how the skating around that was done, but I certainly got sidetracked a bit in just exactly how extensive that particular operation was. I think I was trying to give the benefit of the doubts to the arguments and wondering about it.

The other thing that bothers me a little bit is that you have lost over a short period of time-- It is going back a good 15 years; I think it was 1964 they stopped the manufacture of the snowblowers; in 1975 the snowmobiles; and in 1977 the Pioneer chain saw. The recent announcement of the machine shop operations in effect was another major product removed. It was not as identifiable as the others but it was a major one.

Mr. S. Cooke: Next to manufacturing.

Mr. Mackenzie: That is right. My information is that the machine shop had been producing almost all or a large portion of the parts for lawnmowers which were assembled in the main plant and about half of the parts for the outboard motors. Would that have been high?

Mr. Stewart: At one time.

Mr. Mackenzie: That is high now, but at one time that was about the extent of the production. We are looking at the 1,200 and the 300 parts, I take it, when we talk about these kinds of figures. So we have had a number of relatively rapid decisions that moved major segments of the manufacturing out of that particular plant.

The authority the local plant management has--is it the perception of the union that they can make decisions, can spend money or can hire?

Mr. Farley: I think it is very limited. I can only speak of what I know about it. I know it is very difficult if a person is to be hired in the office. There is a lot of permission that has to be granted, not only in Peterborough, but from Waukegan also. At least, this is what we have been told. So it seems to be very limited.

Mr. Mackenzie: Both the information you have and the perception, at least, is that a decision, even when it comes to hiring, has to have confirmation from the head office of the company.

The Acting Chairman: Can I ask you if that is for all levels of employment?

Mr. Farley: I would suggest it is at all levels of employment.

Mr. Mackenzie: That is what I have been led to believe, and I wondered. There is a paragraph here that I think the

chairman of the committee did ask the company and there may have been an explanation that I missed on it, but it bothered me a little bit. I just wanted to check whether or not the union had been involved.

I am talking now about the funding of the pension plant at Outboard Marine. A piece here I notice in the company's corporate statement, "For the Canadian plans at December 31, 1978, the date of the latest actuarial review, the unfunded prior service cost was \$5,545,000, and the actual determined value of vested benefits exceeded the pension program assets by \$2,168,000."

It goes on to say, "Although the vested benefits of the Canadian plans exceed the pension program assets, there is no liability under Canadian law to fund the deficit, should the plan be deemed to be wound up in the assets distributed to the participants." Is that a question that you have raised with the company?

Mr. Stewart: We have time and time again discussed the problem of the laws relating to the funding of pensions, in that they are able to have, not only-- The insult that is added to the injury is that the vested benefit levels are overfunded in the United States' plans--

Mr. Mackenzie: I noticed that also.

Mr. Stewart: --by a larger amount than what ours is underfunded, for whatever reason.

Mr. Mackenzie: If you had a nasty turn of management, it would cause you some concern.

I was curious about the fact that there is no severance pay plan in operation at the plant at all, is there?

Mr. Stewart: No.

Mr. Mackenzie: Based on years of service or anything else for anybody that does lose out?

Mr. Stewart: No.

Mr. Mackenzie: The employees that have lost employment there so far, I take it from the comments this morning that a lot of them came at that period 1975-76, when you had some expansion in some of those smaller plants in Peterborough. Have you got any history at all, to this point, of severe problems in terms of getting employment with employees that have had to leave the company?

Mr. Stewart: We have been lucky, Bob, that Pioneer is there. There are a number of plants around town that have been enjoying some expansion in terms of numbers of people. So, for the most part anyway, it's been a blessing. We would have a horror story to tell you if Pioneer had been sold to Irish concerns as was originally planned. But fortunately it is still there, and employing most of the people. As a matter of fact, they are very

receptive to former Outboard Marine employees because they fit right into that plant.

Mr. Mackenzie: Are you producing some of the parts they are using at Pioneer? Is that a major part of your production right now?

Mr. Stewart: Yes. A substantial number of their parts.

Mr. Mackenzie: So there is still a concern with the maintenance of the viability of Pioneer, or that could be another blow to your operation.

Mr. Stewart: Absolutely.

Mr. Mackenzie: I don't think I have any more questions.

The Acting Chairman: There are no other members on the list. Gentlemen, we would like to thank you and give you the opportunity for have any final comments you may wish to make.

Mr. S. Cooke: I would just like to repeat the request I made earlier, that this committee do everything in its power to have the government put together an entrepreneurial group that has an interest in maintaining this plant. It's different from many of our branch plant operations. It is not just an assembly operation. We have assembled there in that operation in Peterborough a wide range of talent that would be very useful in Canada. If it is going to be disassembled and destroyed, Canada will lose a very valuable asset.

The Acting Chairman: That message came through loud and clear to the committee, Mr. Cooke.

We have one final parting comment from Mr. Turner.

4 p.m.

Mr. Turner: It's not a comment, just a follow-up on that. I should have asked earlier.

You make a plea for government to take a look at it, to preserve it. Can the operation physically sustain itself?

Mr. S. Cooke: Any operation which has design people in it can tool up to make small parts, that will make small engines for outboard motors and lawnmowers and for many other things in our society.

4 p.m.

I would have to say that it would take some doing. You would have to put together a group of people who are interested in really doing it. Because I'm afraid that Waukegan is not. Waukegan, in my view, is not giving the mandate to a Canadian company to really get out there and be able to do the job. They have too many restrictions on them.

Mr. Turner: Just to follow that up if I may. How would you see a group of people like that being put together?

Mr. S. Cooke: I don't know. The government did it for Pioneer.

Mr. Turner: Just a minute. I don't think the government did it for Pioneer; I think the people did it for Pioneer.

Mr. S. Cooke: I was very much involved myself, but I have to say to you that I know how limited the efforts of all of those people would have been, including myself, and how frustrated we all would have been, if it had not been for the fact that the government was prepared to do it. There was no way we could have put it together on our own that would have made a success.

Mr. Turner: So that is the sort of thing you are talking about.

Mr. S. Cooke: I don't know whether that's it or not. I would have other methods of doing it if I were the government, but I don't suppose I could persuade you fellows, with your philosophy, to take it on.

Mr. Turner: It might be easier than you think.

Mr. S. Cooke: Then take it over and operate it.

Mr. Turner: Gee, that is going far.

Mr. Mackenzie: What was outlined in the brief, and not denied even in terms of the management brief, is the potential and capability of that operation, the different operations that can be handled there in an industrial base. It is this kind of an operation that we don't want to see lost.

Mr. Farley: We have proved in the past that we have the technology and the capable people to do these things. We produce the best lawnmowers, the best outboard motor ever produced, and no doubt if OEM goes we will probably be first in the field there.

Mr. Turner: I think it's fair to say, too, that for some reason that organization, like other organizations in other communities, has grown with the community, and it has a very personal relationship with the community. Many of the management people have come from the community. It's not just another corporation as it is seen within--

Mr. Mackenzie: The problem is not with that level of management necessarily.

Mr. Turner: No, no, I realize that. All I am saying is that there has been a very high community pride in that particular operation; no doubt about that.

The Acting Chairman: The final comment comes from the chair in thanking you, not only for your presentation today, but for the quality of workmanship as witnessed by the survival of our

small outboard that my daughter has successfully taken over the rocks umpteen dozen times, and it still runs. Thank you very much for an interesting and good presentation.

This meeting is adjourned. We will reconvene next Monday at the conclusion of routine matters in the House.

The committee adjourned at 4:05 p.m.

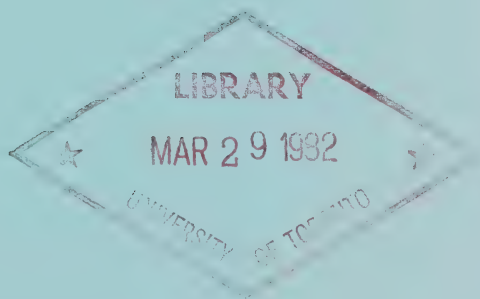
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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

SKF CANADA CASE STUDY
CANADIAN ORGANIZATION OF SMALL BUSINESS
CONSIDERATION OF REPORT

MONDAY, DECEMBER 1, 1980



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)

VICE-CHAIRMAN: O'Neil, H. (Quinte L)

Cooke, D. (Windsor-Riverside NDP)

Cureatz, S. (Durham East PC)

Mackenzie, R. (Hamilton East NDP)

Mancini, R. (Essex South L)

Ramsay, R.H. (Sault Ste. Marie PC)

Renwick, J.A. (Riverdale NDP)

Taylor, G. (Simcoe Centre PC)

Turner, J. (Peterborough PC)

Van Horne, R. (London North L)

Williams, J. (Oriole PC)

Substitutions:

Eakins, J. (Victoria-Haliburton L) for Mr. Mancini

Martel, E. W. (Sudbury East NDP) for Mr. Cooke

Miller, G.I. (Haldimand-Norfolk L) for Mr. Van Horne

Also taking part:

Belanger, J.A. (Prescott and Russell PC)

Johnston, R. F. (Scarborough West NDP)

Clerk: White, G.

Assistant to the Clerk: Eichmanis, J.

Researchers:

Fletcher, M.

Jennings, R.F.

Witnesses:

From SKF Canada Limited:

Cumine, R.B., Labour Counsel

Saxe, J., General Counsel

Hale, G.E., Ontario Policy Director, Canadian Organization
of Small Business

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

MONDAY, DECEMBER 1, 1980

The committee met at 3:50 p.m. in room 151.

SKF CANADA CASE STUDY
(continued)

Mr. Chairman: We have been waiting for one member from each of the caucuses in order to start, but out of respect for our witnesses who are waiting here, I will call the meeting to order.

I want to do one thing first, if I may, for those members who are here with their agendas in front of them. The Orders of the Day said, quite correctly, that this committee would meet tonight at eight o'clock and it also indicated that the meeting would be held in camera. I just wanted to ask, before we get to eight o'clock, if anybody wishes to speak to that or to alter that. Are there any comments on that?

Mr. Renwick: I must say I was surprised when I saw it listed as in camera. I thought what we were going to have was sort of an exchange among the members about where we are now to provide some sort of framework and guidance with respect to our report, a clearing of the air as to where we are rather than an in camera meeting. Unless somebody else feels strongly about it, I would much prefer not to sit in camera.

Mr. Chairman: I agree. I would prefer that it not be in camera.

Mr. O'Neil: I agree, Mr. Chairman.

Mr. Chairman: Agreed?

Agreed.

Mr. Chairman: Then the rest of the week is clear. The only question that might come up is Tuesday, our meeting about Essex International. There has been some discussion about this. We will be hearing from the union, the United Auto Workers, only. We are unable at this time to get someone from the company to attend.

Mr. Renwick: I did not hear the last part.

Mr. Chairman: We are only hearing from the union people.

Mr. Renwick: Yes, I heard that.

Mr. Chairman: We are not able to get anyone from the company to attend at this time. That is my understanding from the clerk.

Mr. Renwick: On that matter, would it be possible for

the clerk of the committee to make a brief note on his efforts to get someone to attend? The more I think about it, the more I am immensely disturbed about their failure to co-operate with us.

It is not as if we specified a particular day. As I understand it, we have been talking with them over a period of about three weeks trying to work that out. I think it is tantamount to a blank refusal to attend. I think it raises a serious question for us as to what we do now in the face of that kind of conclusion.

Do other members of the committee agree with me? The course of events leads us to the conclusion that they are refusing to appear.

Mr. Chairman: The clerk wishes to respond, Mr. Renwick. I would like to add to that--and the clerk can comment on this as well--that, whatever happens between now and tomorrow with regard to management's appearance, it should understand that that is how we are going to carry on; that is, we will be hearing from the union for the full day if there is no one else here.

Clerk of the Committee: Mr. Chairman. On November 7, I first contacted the--

Mr. Renwick: I was thinking more of a brief written statement for us for the time when we consider it tomorrow, rather than taking up time this afternoon.

Mr. Chairman: Fine. On Wednesday we will be hearing the Bendix case study, a full case study in the sense that both of the parties will be represented.

I do not think there are any other matters on the agenda. With the committee's permission, we will carry on now with the program for today: Mr. Saxe and Mr. Cumine regarding a matter stood down from last week, a discussion about the SKF statements.

Welcome back. I am not sure, Mr. Saxe, whether it is your intention to pick up from where you left off or respond to questions. I think the point was well made that the documents are there and available. You had argued that the committee should consider carefully the implications of continuing with our request for those documents. Mr. Saxe?

Mr. Saxe: I do not think I can be of any further help, Mr. Chairman, except to repeat the point I made, which, in summary, is that SKF on an international basis comes within the group of exceptions that are made by the International Labour Organization in terms of geographically broken-down reporting. It comes within that group of exceptions made on an international basis by the Organization for Economic Co-operation and Development allowing nongeographically broken down reporting.

When SKF was federally chartered, it applied to the Ontario Supreme Court, as is possible under the statute, and was granted permission to submit a modified financial report which did not show such information as sales income to the federal government

under the Canada Corporations Act.

I might say, I said last time that exemption was under the Corporations and Labour Unions Returns Act. That was not true. It is under the Canada Corporations Act.

Those exemptions, following the argument that was made to the Supreme Court of Ontario when SKF came under the Canada Corporations Act, are based on a recognition that that kind of data in this particular industry, with its highly competitive nature, could put SKF at a severe disadvantage with its competition. Obviously, there will not be an exchange of data unless the committee and each of its members are prepared to treat the information as strictly confidential and put themselves in the position of doing that, which I think is difficult. But, given the procedure you have taken, we face either the very definite likelihood or at least the possibility that if the information is supplied in this kind of public forum it will reach the competition.

As we clearly made the point at the last meeting, SKF is going to be an ongoing employer in Ontario. Its competitive position in Ontario is already one that has to be watched very closely. Its ability to continue to employ nearly 300 employees is dependent on its being successful in this province. So I invite the committee, considering all that, to recognize what has already been recognized after full argument in some other forums, both in our own Ontario courts and in international forums, and not ask for that further data.

We hope the information that we understand you need has already been supplied in the manufacturing breakdown and in the international report. If there is other information you need, we will certainly try to co-operate with the committee to supply it. We are already working on supplying answers to the questions about reinvestment as a percentage of, I think it was, net income on both the international and local scales. I have a note of some four or five other things we said we would supply you with. We are working on getting that to you.

Mr. Chairman: Thank you, Mr. Saxe. Any questions or comments from members of the committee on this matter? I think everyone was here the night of the discussion.

Mr. Renwick: Mr. Chairman, I would like to explore it a little bit, if I may, because Mr. Saxe presents the committee with a matter that obviously requires its careful consideration before coming to a decision on whether or not the statements for SKF Canada for the last 10 years should be made available to the committee in very much the way in which we obtained the kind of information we did obtain from Armstrong Cork in a different case.

I do appreciate what Mr. Saxe said, that if the committee were to ask for them by resolution they would be made available. We are not talking about the issue by the Speaker of a procedural warrant on this question.

I am skeptical for this reason. By a unilateral decision of

SKF, a significant number of employees of SKF have simply lost their jobs. There is going to be no manufacturing operation by SKF in Canada and yet SKF is going to remain in Canada, presumably with increasing sales both in volume and dollar amount, over a period of time.

4 p.m.

I think--of course, subject to our own discussion among the members of the committee--we are faced with a serious problem: At this time, considering the public interest in Ontario, can we agree that a company such as SKF can continue to operate an import and sales operation in Canada in, I agree, a highly competitive field, having withdrawn its manufacturing facility because of a worldwide rationalization of its business. I think that is a problem.

I have to oppose something called the public interest to the confidentiality argument Mr. Saxe has made. My concern, I think, is the lack of content in the confidentiality argument. I have tried to express the content of what I consider in this aspect to be the public interest position in Ontario.

Would it be possible for us to see the argument that was made in the Supreme Court of Ontario when the exemption was requested under the Canada Corporations Act?

Mr. Saxe: I was not counsel for the company at that time. That was some five years ago. I can only presume that the full argument would not be in a written form.

I will certainly contact the person who was counsel and find out exactly what documentation was made available to the court. It was by originating notice of motion, so there will be a motion which will probably outline the reasons, and I would certainly be prepared to make that available to you, subject to the fact that counsel involved may have some concern I am not aware of. But certainly I would be ready to make that available to you.

Mr. Renwick: Was there any written decision or reason given by the court?

Mr. Saxe: Again, unfortunately--and I apologize for this--things have moved so quickly that I have not been able to get hold of those documents. I only today discovered who the counsel was who had made the submissions to the court and I have had to communicate with him primarily through his secretary because he was in conference.

I assume there would have to be a written decision by the court. What I cannot tell you is how extensive it is.

Mr. Renwick: I take it that SKF Canada has complied with the other federal disclosure act, the Corporations and Labour Unions Returns Act.

Mr. Saxe: Again, I can only presume so, Mr. Renwick. I have not had an opportunity to put that to SKF or to get copies of

any compliance. The reporting under the Corporations and Labour Unions Returns Act, of course, is different from that required under the Canada Corporations Act.

Mr. Renwick: I understand that, yes. My concern is that under the Canada Corporations Act, of course, the history of the courts, in a nonadversarial situation such as an originating notice of motion under that act, has always been to tend to listen to the confidentiality argument with a degree of sympathy which would not be present if there were, as we have, a conflict between the plea of SKF to this committee for confidentiality, because of the worldwide ramifications, and what I have tried to express as my version of the public interest, with which we are concerned.

I do not want to ask you to appear again on it. I think that is an imposition. You have appeared and you have indicated your position on the matter. Would it be possible to let the clerk of the committee have whatever you can get by this time tomorrow?

Mr. Saxe: Certainly.

Mr. Renwick: It does not necessarily have to be at this precise time tomorrow, but by the time the committee rises at around six o'clock tomorrow evening. On that basis, at some point the committee can consider the submission you have made, the concerns I have expressed and any other information you have on the matter.

Mr. Saxe: I do know that counsel who presented the case to the court is in Toronto. I will reach him as quickly as I can and get documentation to you as quickly as possible, subject to the fact that I can only give an undertaking on behalf of myself. I do not know what he is going to say to me when I ask him to turn it over, but his client and my client being one and the same and my client wanting to co-operate as much as possible with this committee, I suspect a favourable ability to supply you with that documentation.

Mr. Renwick: I would assume, in the best of all professional worlds, that would be the case, Mr. Saxe.

Mr. R. F. Johnston: To follow up what Mr. Renwick was saying, I would like to urge the committee, for a couple of reasons, to request the information from the company, notwithstanding what Mr. Saxe has said, and, if necessary, subject to additional information being given to the committee.

The matter of public interest was well stated by Mr. Renwick. I will not restate that, but I would like to take it another step forward. What I see as very important is that the committee is looking, I hope, at the whole matter of how a company should have to justify its decision to close a plant; what realistically a legislative body or a legislatively appointed body can require from a company when it makes a decision.

I am hoping that in the process you are going through you are going to discover there are certain basic things which you would want a company to present as part of the required

information, especially when the company is of the worldwide size of SKF and its rationalization seems to be happening in different ways in different places. We have heard testimony in terms of what is happening with tariff protection elsewhere and what is happening with the joint venture in Mexico and other places.

It is absolutely crucial in this particular case, for the sake of both the committee and the employees at SKF Scarborough who face termination by this time next year, that we take every possible step we can, saving those which could be seen to be totally untoward and persecuting in nature, to determine whether or not this decision is in the best interests of both those workers and this province at this time, and whether or not it is as irreversible a decision as we have been given to understand. I do not think you can do that as a committee without seeing the full financial side of things.

I agree that we have to look primarily at the manufacturing figures. I have no doubt about that at all. It seems to me, however, that we really need to look at the sales picture. To my mind, we really need to see how they break down their profit-making in terms of the Scarborough plant and their other operations here, to see if they are not just taking the easiest way out to maximize profit to the injury of some 300 workers in my area of the province.

If you find from that information that that is the case or if you find it is not so, you will have a better reason to make your decisions about the justifications companies should make in terms of their social responsibilities. Therefore, I would encourage you to stand firm and to ask for this information, subject, as you may wish it to be, to reviewing what has been before the courts in the past.

4:10 p.m.

The other thing I find about this matter of SKF's desire not to do it for competitive reasons is that, if a company is moving out, if it is no longer going to manufacture here, if it is only going to have a sales operation here which will be importing goods of a changing nature over the next number of years from various parts of the world--I do not see why those companies in those parts of the world where they are not closing down but maintaining their manufacturing force should be particularly upset about their telling us what they are selling in Canada and what that side of their efforts has been in the last number of years.

I just think it is crucial that we have that information and that you stand firm.

Mr. Mackenzie: Very briefly, Mr. Chairman, I want to echo the comments of my colleague. I find it interesting that SKF's investment in Canada in 1979 was only \$100,000, if the figures we have been given are correct. I would simply point out that a \$100,000 investment plan, any investment plan, has to be made at least some months in advance, if not longer, which clearly indicates to me that the company had taken its decision much earlier than even the year's advance notice given the employees.

If a \$100,000 investment was made last year, the decision was made in 1977 and 1978. Given that, even the claim that it has given a long period of notice rings a little bit hollow. I would certainly like to see the figures we have asked for as well.

Mr. Chairman: Does anyone else on the committee wish to comment on this? Mr. Saxe.

Mr. Saxe: I certainly do not, and I appreciate, Mr. Chairman, that it would not be proper for me to enter into a debate with any committee members. I wonder if I could, however, just beg a minute to respond to one or two of their concerns, simply to see if I can be of help in clarifying the committee's discussion as to whether it wants this data.

Let me say I fully appreciate Mr. Renwick's point, that the committee has a broader interest that it must consider than the interests of any individual company that appears before it. He called that the public interest.

It was our hope that we had supplied to the committee the data it really needed for its deliberations. What I would again invite the members of the committee to do in determining whether they want this data is to fully review what they feel they need to make the determination they are going to make. It is very easy for a committee of the Legislature, as all-powerful as it is, to ask for many things. All we are trying to do is give you reason to restrict those requests to what is really needed.

That raises a point for me that was actually introduced by Mr. Johnston when he said he would like to see some of this information. I do not believe, Mr. Johnston, that the financial data is going to answer those questions. The questions you raised were answered before you to the best of his ability by the vice-president, a 30-year employee of the company. I suspect the answers you got from him are going to be of much more assistance to you than anything you will get out of financial reporting.

It has been, unfortunately, my experience as a lawyer to at times have to read financial reports. Not only are they not terribly helpful in trying to bring out the information for which you are searching; in fact, I do not think that is ever contained in that information. I thought we had explained that when we appeared before you.

The breakout of the manufacturing operation is a breakout that never existed in the company until we prepared it precisely for this committee, in an attempt to be of assistance to you, because we knew that was the kind of information you wanted. Had we not prepared it precisely for this committee, the normal financial statements would indicate none of that, as we told you when we appeared before you. All the financial statements are consolidated, and all the work that is done to prepare them in SKF. There is no separating out of sales and manufacturing.

Finally--and, again, I really do not want to be argumentative--I do appreciate Mr. Johnston's point that we will not be manufacturing in this country. Mr. Pickett tried to the

best of his ability to explain why. The fact is, whether it is in manufacturing or sales, there will be 300 employees and this company has convinced other bodies, who presumably reached their conclusions after fully considered thinking and reasoning, that that continued employment could be damaged by producing those documents.

Mr. O'Neil: In what way do you figure that would be damaging to those 300 employees you are talking about? Are you going to let them go if those records are made public?

Mr. Saxe: No.

Mr. Chairman: Can I interrupt, with respect? I say this with respect to Mr. O'Neil, but, in all honesty, those very specific points were spoken to the other night and actually a couple of times today. Stop me if I am wrong--and I defer, as always, to the committee--but it seems to me that the arguments made by Mr. Saxe, asking for, at the very least, caution by members of this committee, were well made. I think the measure of that is that without those arguments this committee likely would have passed a resolution for the documents in question by now, as it did in the case of Armstrong.

The points have been remade again today, and I think succinctly, by both committee members and by counsel. We are under the impression that some documents which will help us further in our deliberation will be made available to the clerk of the committee by tomorrow at six o'clock. I think, with respect to the committee and Mr. O'Neil, that at this stage of the game we should move on, and we should look at those documents as we have the time tomorrow afternoon, when we deliberate again as a committee, recognizing that there are at least two sides to this concern.

Mr. O'Neil, I did not mean to cut you off, and if you wish to respond, please do so.

Mr. O'Neil: I did ask a question. There was an inference made there that if these records were made public there might be some problem keeping these 300 people on. I just wondered if you could enlarge on that. Will that happen? You are saying that if they are made public it may damage the sales you have.

Mr. Saxe: It was certainly not a suggestion that making public those documents in any way leads directly to a decision to continue or not continue the employment of those Canadian employees. The link is only in the ability of SKF to continue to be successful in a highly competitive industry. That is the link.

Mr. Cumine: Mr. Chairman, I was going to offer a suggestion that in order for those figures to be of much help maybe the committee had better obtain the same figures from our major competitors who are going to continue in business. That might keep us all happy.

Mr. Chairman: Don't make those kinds of suggestions, Mr. Cumine. Somebody will take you up on them.

Mr. R. F. Johnston: Just one comment. I am not sure if I can come back. I have other committee responsibilities and I might not be here when you discuss it again.

Mr. Renwick: We would not dream of discussing it without you.

Mr. R. F. Johnston: One of the reasons I think that we cannot just pose specific questions of a financial nature and get answers is that this is a totally new world for the committee to look at and explore. We may very well not get all the answers out of the kind of financial report you will receive--that is very possible--but I hope that report will help focus on a number of questions. We know some of them now, but we do not know them all.

I would still suggest that without the full report, you are not going to be able to know whether you have asked all the right questions. I hate fishing and stabbing in the dark, which is what we would be doing otherwise.

Mr. Chairman: No further comments? Mr. Cumine and Mr. Saxe, again, thanks for your time. We will look forward to seeing that material tomorrow afternoon. It will help us somewhat.

CANADIAN ORGANIZATION OF SMALL BUSINESS

Mr. Chairman: It is now 4:20. Mr. Geoffrey Hale from the Canadian Organization of Small Business is with us. Mr. Hale, would you come forward?

Just for the record and for the members of the committee, I want to indicate exactly what we are doing here and why. We had agreed, as everyone will remember, to proceed as a committee on a case study basis, recognizing that there would be some organizations like that represented by Mr. Hale this afternoon, which would not only be available to make a submission to this committee but which would be very anxious to make such a submission. That was the case and it remains the case.

When we get into the January-February part of our hearings, it is the hope of the committee to hear from other groups that represent a particular constituency, be it on the business-management or worker-union side. Mr. Hale, however, specifically requested an opportunity to speak to this committee before we tabled our interim report. It is on that basis that we are taking the time now to hear from Mr. Hale, who is the Ontario policy director of the Canadian Organization of Small Business.

I do not wish this to be misconstrued by anyone who may think that special provision was made for one organization of an umbrella nature and not for others. This was a very specific request to which the committee responded.

Mr. Hale, I believe you have a brief available. Has it been distributed?

Mr. Hale: Yes.

Mr. Chairman: I will turn it over to you. We are in your hands.

4:20 p.m.

Mr. Hale: Thank you, Mr. Chairman. The Canadian Organization of Small Business appreciates this opportunity to appear before the select committee on plant shutdowns and employee adjustment in order to present its views on ways in which the province can influence the use of public and private resources in economic development and adjustment.

The plant shutdowns of the past year, which have resulted in the indefinite layoff of more than 25,000 Ontario workers and the temporary layoff of more than 125,000 others, are a part of a series of major structural changes in the Ontario economy. Some industries, most notably in the automotive sector, have suffered major cyclical downturns as the impact of higher energy prices takes hold and imported cars claim an ever higher market share.

Other industries, their performance suffering from steadily higher costs and lagging productivity, are rationalizing their operations. In these industries, larger companies, especially those which are branch plants of foreign-owned parent companies, are consolidating their operations, often in plants outside Canada, in order to respond to longer-term shifts in markets, to obtain greater productivity and to improve their long-term competitive positions.

Many Canadian firms facing the same economic imperatives have closed down their operations entirely. Of the 20 Canadian-owned companies outside the automotive sector which laid off between 25 and 100 employees in Ontario in the first nine months of 1980, 12 went out of business and four more relocated their operations within Ontario. As with many small firms which fail each year, these shutdowns pose rather different problems in the areas of economic and social adjustment.

While this committee has been addressing specific case studies in the areas of plant shutdowns and employee adjustment, we would like to present the following comments as a broader overview, not only with regard to those cases, but to set the context in which those cases and the steps taken to respond to the entire question of plant shutdowns should be considered.

The widespread publicity given to plant closings does not tell the whole story of Ontario's economic performance in 1979-80. Far from it. For every medium or large-scale plant closing in Ontario in the first nine months of 1980, 6.5 major new investment projects in manufacturing industries, each worth more than \$500,000, were launched in this province, and many more smaller-scale projects besides. These companies represent the other side of Ontario's economic reorientation.

Many new companies and, indeed, industries are springing up based on innovative or specialized products, new, more efficient processes of production and dependent on the entrepreneurial and work skills of Canadians. These new industrial opportunities

result in the creation of new wealth, wealth which can be the source of ongoing economic growth and higher living standards for Ontarians.

The development of these new industries, however, is not guaranteed, nor should it be taken for granted. New business opportunities can be shackled by inflexible, wastefully administered government policies, policies which promote risk avoidance and discourage individual Canadians from going into business for themselves. COSB does not subscribe to the theory that economic prosperity can be guaranteed by the creation of a centralized, master plan for the economy; however, a healthy economy and a health society require far-seeing economic policies which do more than stimulate consumer demand and bail out declining or stagnant industries until the next election.

Economic and social policies, to be effective, must be drawn up with one another in mind. Wherever possible, they should be designed to maximize opportunities for individual Canadians to exercise their initiative and to profit from taking economic risks. Government involvement in support of the private sector should be directed to improving the use of our human, capital and natural resources in order to encourage Canadians to become more effective competitors, both in world markets and in our own.

COSB strongly opposes the artificial subsidization of declining companies or industries which are no longer economically viable because they have been unable or unwilling to adjust to changing economic realities. The government which doles out millions to the Fords, Chryslers and Massey-Fergusons in order to preserve jobs which cannot preserve themselves is not only submitting to political blackmail; it is mortgaging Canada's future to its past.

Similarly, COSB rejects the notion that companies with a debatable economic future should be coerced into maintaining operations. The use of punitive social policies to preserve employment is just another way of taxing the efficient worker and manager to subsidize the inefficient.

In a recent address to the Ontario Economic Council, Professor Lester Thurow of the Massachusetts Institute of Technology spoke to the question of subsidizing industries to preserve jobs in the following terms:

"An industrial policy designed to prop up dying industries is the route to disaster. We need only look at the countries that have tried--Britain and Italy. No one can make it work. There are usually good reasons why an industry is a loser. Its market is shrinking or the industry has lost its comparative advantage to some other region of the world. But the British at least adopted a policy of propping up losers when no one else had failed in the attempt. We do not have that excuse. We have only to look around us to see that it does not work. To adopt such a policy now is the height of stupidity."

The mandate of this committee is to study the issue of plant shutdowns and employee adjustment and to make recommendations on

suitable policies and appropriate legislative actions. In this brief, COSB will offer comments and suggestions on five topics which the committee has addressed during the course of its hearings: keeping viable companies, or parts thereof, in operation; appropriate adjustment systems for employers and employees in case of a shutdown; and legislative standards in the areas of notice of layoff, termination payments, and retirement income security.

First, and most important, perhaps, turning around troubled companies: Government intervention in the operations of business is a fact of life in our modern world, albeit for us an occasionally unpleasant one. Viewed from the standpoint of political and economic pragmatism, rather than ideology, perhaps the best way in which to evaluate various instances of government involvement is by the laws of the marketplace to which most companies are ultimately, at any rate, accountable.

Mr. Renwick: That is kind of an ideology itself right there: the laws of the marketplace to which most companies are ultimately accountable. I would call that an ideological statement. Excuse me for the interruption.

Mr. Chairman: Mr. Hale, it is a marvel that you got that far.

Mr. Renwick: Right.

Mr. Hale: Do government economic policies recognize and accommodate economic realities--an interesting question--or do they defy those realities?

COSB has dealt with a number of firms which were on the verge of collapse, yet, which by significant changes in their methods of financing, marketing and/or production, were able to regain their economic viability. The interministerial task force recently set up by the Ministry of Labour in order to assist companies facing severe economic difficulties is potentially a good idea. Some members have suggested that the task force can only be effective if given the power to keep potentially viable companies open by force of law.

We could not disagree more. In order to be viable, a business should have competent management, a motivated work force with appropriate skills, a product or service that enough people want to buy to make it viable and the financial wherewithal to sustain operations through a mixture of capital, internally generated funds and credit.

The job of the interministerial task force, as with that of any consultant, is to work with management and, where appropriate, with employees and/or unions in order to assemble these resources in a viable package. If the company does not market a product or service that enough people want or produce it for a price that its customers are willing to pay and if either management or employees are not willing to make the efforts needed to enable the company to stand on its own feet, then no amount of government coercion is going to work.

COSB recommends that the interministerial task force headed by Mr. Robert Joyce be given the full support of all appropriate Ontario government ministries and, wherever possible, that the task force utilize all appropriate private sector expertise to provide temporary management support for companies which can be successfully reorganized, either under new or existing management. I would like to underline that "private sector expertise," because for many small firms the sort of expertise found in the Ontario government either is not credible to the companies it is dealing with or is not up to scratch.

COSB further recommends that the Ontario government allocate no additional direct financial assistance to such companies until they have met the most stringent investment requirements.

4:30 p.m.

For us, employee relocation in the case of shutdowns also has to be considered a top priority. Small business supports the promotion of policies which encourage the creation of productive employment through new and growing private business opportunities and the upgrading of job skills to give Ontario's workers a greater freedom of movement within the marketplace. A plant shutdown is undoubtedly a traumatic experience for those directly affected and it can turn into a major human tragedy; however, this does not have to be the case.

As noted earlier, the development of new industries offers new, more secure employment opportunities in many fields for those able and willing to take advantage of them. The manpower adjustment committees co-sponsored by the federal and provincial governments and individual employers are a useful tool to assist employee adjustment and relocation as a supplement to internal company efforts at aiding relocation.

On several occasions, members of this committee have described their job as "finding out who gets hurt in a plant closing, determining how much they could expect to earn from steady employment, quantifying this wrong and determining who should pay for it." While this approach may be politically advantageous in a pre-election year, the satisfaction that it gives to the unemployed worker is probably minimal.

Mr. Renwick: I like the switch from your prepared text.

Mr. Mackenzie: I would also like to know about the little comment about the government not always being credible. Your re-emphasis or reiteration of the piece about private expertise was not in the text. It was an ad lib. I have not found anything yet that Grossman would not write, but that was the first bit of questioning of his credibility.

Mr. Hale: Well, Mr. Mackenzie, this thing was written in a great hurry and, in discussing it with various people, it was decided that that point should be made again.

Mr. Mackenzie: It should have been in the text then.

That is what you are telling me. It might given it a little more credibility.

Mr. Hale: The most suitable policy for employers, employees and politicians alike is to recognize that when the prospect of losing your job looms on the horizon the most valuable contribution anyone can make to your situation is to make those changes that are most likely to result in productive, long-term job security or, failing that, to assist you in finding another job, preferably one that makes use of existing skills, interests and aptitudes at a comparable rate of pay. If the Ontario government is to direct its scarce financial resources to any end and to require employers to do the same, it should be to assist, through private and/or public counselling, placement and skills-training services, the efficient relocation in productive employment of employees affected by group layoffs.

While this approach does not have the political drama of sweeping legislative changes in the field of termination notice and compensation, it has the dual attraction of being much more cost effective and rather more likely to work. A legislative response through the Employment Standards Act to the problems caused by shutdowns is not really appropriate to the current economic situation which contributes to a higher rate of plant closings and business failures; rather, it is a relatively shallow political response to one of a wide range of economic symptoms. Certainly, a primarily legislative response to plant closings will not even begin to cure the disease.

In order to concentrate on the most important tasks at hand, which we feel are the creation of new employment opportunities through a dynamic climate for Canadian investors and entrepreneurs and the prompt matching of job seekers with job opportunities, the work of the interministerial task force and the manpower adjustment committees should not be rendered more difficult through major changes in existing employment standards.

One of the proposals currently before the committee is for significant increases in the notice period that employers are required to give employees in cases of impending layoffs. On reviewing Ontario's present policies on pay in lieu of notice, the proposed Bill 191 extending these provisions to fringe benefits, and existing termination notice standards in other North American jurisdictions, COSB questions the relative value of further extensions of the notice period at this time.

In a recent survey of its membership in Ontario, COSB found that 79 per cent of those expressing an opinion were opposed to an extension of legal notice periods at this time. A common view running through these interviews was that such legislation, as applied to the majority of small Canadian-owned and -managed firms, would tend to penalize unduly the business owner in case of an involuntary shutdown.

As noted earlier, of the 26 Canadian-owned firms which laid off between 25 and 100 employees in the first nine months of 1980, 15 closed down their operations completely. Most of these closures were involuntary, as banks and other creditors forced these

companies into receivership. Under such circumstances, the owners of small independent firms lose not only their investment in the business but frequently a major part of their personal assets as well.

While on occasion these successful entrepreneurs do succeed in finding a buyer for all or parts of the business, they are often left with a significant financial burden which takes years to work off. With such social programs as unemployment insurance unavailable to them, our members believe that an extension of the notice period would further victimize them in case of an involuntary shutdown.

Another case to be made against the extension of the notice provision, especially in smaller group situations, can be taken from Ontario government studies which suggest that, as a tool for assisting laid-off workers in finding new jobs, termination notices are of limited help after a certain stage. If pay in lieu of notice is indeed subject to the law of diminishing returns, as Labour ministry studies would tend to suggest, this would seem a strong argument to make for directing these resources to the work of the employment adjustment committees rather than paying them out in termination settlements, unemployment insurance or other palliatives.

This factor would apply even more strongly in the case of a partial closing, in which added payments in lieu of notice represent greater unproductive costs, costs which, in the case of many companies, will diminish their chance for survival and contribute to a still higher level of unemployment.

COSB approves the principle of Bill 191 which extends termination payments in lieu of notice to benefits to which employees would normally be entitled if working through the notice period.

On the topic of severance pay, COSB doubts that severance pay legislation requiring termination payments to employees beyond the levels presently required through the notice period is either a fair or an economical use of scarce capital resources in assisting the newly or potentially unemployed to return to productive employment.

Specific proposals requiring severance payments based on seniority, while they may indeed ease the transition into retirement of the oldest workers, whose age and long-term service with one company may reduce their ability to find comparable jobs, are totally unsuited to the relative needs of younger employees, whose first priority has to be to find another job. Those workers in early middle age, with considerable seniority and highly portable skills, are generally--or frequently, at any rate--in less need of direct assistance than are those with less experience or lower skill levels.

Severance pay legislation, by removing many of the legal remedies now available to employees terminated without just cause and by reducing the level of the employer's discretionary resources, reduces the flexibility of employers and employees

alike in tailoring a termination settlement to the specific conditions of a company and the needs of its employees.

Small business questions the appropriateness of legislating a minimum standard of severance pay. For larger firms, severance pay represents a contingency plan in the same sense as supplemental unemployment benefits, disability insurance and so on, to be negotiated between employers and employees as part of the trade-offs of the collective bargaining process.

Smaller firms, as has been noted above, are less likely to close voluntarily. Most small companies go through a major cash flow crisis at some time in their existence; frequently, when they are facing an opportunity for significant expansion. Under tremendous cash flow pressures, they often survive only because of the ingenuity of the owner and the forbearance of their bankers and other creditors. Most people who have been in business will tell you that this forbearance does not stretch very far. Many companies do survive the cash crisis and go on to bigger and better things, just as many do not make it.

Recent federal court judgements have reinforced the interpretation of bankruptcy law which holds that vacation pay, severance benefits and other fringe benefits owing to employees at the time of a business failure do not take precedence over debts to secured creditors. The legislation of any significant extension of Ontario's termination requirements, even under the principle of pay in lieu of notice, would give certain trigger-happy bankers an added incentive to pull the plug on small businesses facing a relatively short-term cash crisis.

4:40 p.m.

In other words, severance pay legislation would tend in these cases to jeopardize the jobs of the very workers it is designed to protect. That is not enlightened legislation and we feel it would be totally counterproductive.

COSB categorically rejects the notion that workers have some special form of property rights to their jobs or that a job is something for which legal compensation should automatically be due when it is lost.

A job in a dying company is worth no more to its owner than a high-priced condominium in a project taken over by the Ontario Housing Corporation. Many professionals in the personnel field suggest that a more apt comparison than ownership rights would be to the position of a tenant holding a lease on a rental property. While the tenant cannot be evicted except for nonpayment of rent or breaking other terms of the lease, at least under normal conditions, should the property be condemned as unfit for human occupation, the tenant has to relocate.

Many companies have established employee stock ownership plans or deferred profit-sharing plans for their employees. Many of these plans date from a time when the workers made special sacrifices to keep their jobs and their company alive. These plans and the spirit of mutual responsibility which underlies them

represent an investment by all participating employees in the present and future of the company.

As many employers have made major sacrifices--among them, investments of time, money and foregone opportunities--to run a successful business, they expect that anyone wishing to move into a partnership in their business first assume some of the risks and responsibilities of management. As this represents a major difference from just doing the job, so legislated employee property rights and all that this concept implies are inconsistent with the survival and prosperity of an independent private Canadian business sector.

In his statement of October 14, 1980, the Minister of Labour (Mr. Elgie) also indicated the government's intention to introduce certain amendments to the Pension Benefits Act before the end of this session to respond to problems which had arisen from plant closings and pension plan terminations. Small business agrees with most of the basic principles advanced in that statement as suitable housekeeping responses to certain immediate problems revealed by recent pension plan terminations. Long-service employees should not be deprived of the opportunity to receive a pension when they reach early retirement age, subject, of course, to normal actuarial practices.

COSB suggests that any proposed amendments avoid the imposition of a rigid eligibility formula at this time. Such a requirement, especially when introduced prior to the release of the report of the Royal Commission on the Status of Pensions in Ontario, would serve neither the interests of fairness nor the sound business practices necessary for the proper management of pension funds.

In his statement of October 13, the Minister of Labour also said, "We believe that upon termination of a pension plan employees should have certain options in relation to their statute-vested rights, including the option, under appropriate circumstances, to transfer their statute-vested benefits to the plan of their new employer." Upon detailed consultation with pension industry professionals, including those intimately involved with the development of pensions tailored to the special needs of small businesses, we understand that many of these options are already common practice within the industry.

We would support amendments to the act that recognized the range of options currently provided by the industry on the grounds that, in this case, the law is merely catching up to what passes for reality in many parts of the pension industry; however, we would caution against provisions which would lead to increased rigidities within the system. Any amendment to the act which might require the industry to rush into significant innovations should be preceded by extensive consultation and consensus building of the sort which does not appear likely under the current circumstances of emotional, partisan political debate.

For this reason, we strongly question the wisdom of creating a centrally administered pension fund to guarantee pension rights under the statutes in those instances when terminating plans are

not fully funded. This concept represents a major departure from current actuarial practices and is extremely difficult, under current circumstances, to reconcile with these sound professional practices.

Even were the government to provide the initial funding under the act, a very real charge could be made that under political pressure the government is opening a gigantic loophole whereby irresponsible employers and unions would be rescued from the consequences of establishing or extending pension benefits clearly beyond the predictable resources of their companies.

Should the government feel obligated to legislate the creation of a central pension guarantee fund, COSB would argue in the strongest possible terms, for the following provisions to be included:

No fully funded pension plan should be required to contribute to the guarantee fund. Defined contribution plans which are most common among smaller firms and which, by definition, are fully funded and those defined benefit plans which are also fully funded should not have to subsidize the potential improvidence of underfunded plans.

A five-year waiting period before any newly negotiated pension benefits or salary levels become eligible for payment from the fund should be required. This would permit underfunded plans to make up much of the difference between initial and full funding and would prevent the taxpayer or responsibly managed plans from being called upon to subsidize the terminal pension arrangements of collapsing businesses.

There should be a maximum dollar limit on the claim of any individual or pension plan on the guarantee fund. Many auto industry plans are seriously underfunded as a result of irresponsible contracts which verge on criminal negligence. Rather than the taxpayer being burdened with the responsibility for bailing out such plans, the Pension Commission of Ontario should insist on more stringent funding requirements, or employers and unions alike should tell their workers and pensioners the truth about what sort of a pension they can expect.

In order to avoid the development of massive underfundings and the bitterness which necessarily arises when such facts come to light upon the premature termination of a pension plan, all plans should report to their members not only their basic pension entitlement were the plan to be fully funded, but also the potential reduction in their pensions were the plan to be terminated in the coming year.

COSB recognizes that, while addressing the problems relating to the early cessation of plans and the current amendments to the Pension Benefits Act, the forthcoming report of the royal commission on pensions will provide an opportunity for the more extensive discussion of the objectives and instruments of retirement income policies as a whole in this province.

The Canadian Organization of Small Business would like to

thank the committee and its chairman for the opportunity to present its views before you today. We recognize that plant closings and layoffs are issues which arouse the deepest emotions and passions. These emotions often stem from expectations which have not been realized in the cold dawn of economic reality.

COSB fervently hopes that this committee will address its actions not to the emotions arising from the economic changes now sweeping across Ontario but to the hard realities which underlie them. We expect, as must every Ontarian concerned with building a strong economy for the future, that you will not take the politically expedient road of throwing money at the problem of layoffs and hoping that it will go away. For that is the bottom line: longer layoff notices, severance pay, employee property rights, forcing uneconomic plants to remain open. These proposals shackle us to the past, to industries which have failed to compete within the marketplace and to a conception of job security which has no place in the real world.

Certainly, many companies, given the proper advice and assistance at the right time, given a marketable product, given a willing work force, can be rescued from economic irrelevance and can earn a new lease on life. But, in a world changing as rapidly and as irrevocably as the Canada of the 1980s, there can be no free lunch.

We can begin to build for tomorrow by reinforcing our strengths and by looking at the broad economic picture, a picture in which the Canadian independent business sector looms ever larger; or, by wasting our resources in attempting to stave off the demise of our corporate dinosaurs, we can condemn ourselves to a time of social and economic reckoning which will sweep our entire economy and society before it.

4:50 p.m.

In your deliberations to date, you have concentrated on the difficulties arising from the departure or collapse of a number of medium and large-scale firms, many of them Canadian subsidiaries of foreign multinationals; however, should you base your recommendations on these cases, largely representative as they are of the Ontario economy as a whole, you will do a massive disservice to all working Ontarians.

This committee can play a valuable role in developing a broad consensus on encouraging the development of a more viable, efficient and competitive industrial sector and in facilitating the transfer of human and economic resources from the industries of the past to those of the future. Your success or failure will be a significant measure of the value of the legislative process and these committee hearings.

Thank you for your attention.

Mr. Chairman: Thank you, Mr. Hale. There will be some questions and comments, I am sure, from members of the committee. I cannot resist at least one to start off. You made reference on at least three occasions to the banks.

Mr. Mackenzie: Is this a vendetta against the banks?

Mr. Hale: It is not meant as a vendetta, Mr. Mackenzie. It is just meant as a transmission of the comments the bankers we deal with make to us.

Mr. Chairman: At the bottom of page nine is, I think, your third reference to the banking establishment in the country; it is one of the stronger ones: "The legislation of any significant extension of Ontario's termination requirements, even under the principle of pay in lieu of notice, would give trigger-happy bankers an added incentive to pull the plug on small businesses facing a short term cash crisis."

I have a two-part question. Do you think there is some incentive for the banking community to pull the plug on Canadian enterprises now? Secondly, how would such legislation give impetus to that tendency?

Mr. Hale: Targeting on Canadian-owned enterprises as opposed to others, the only reason they would happen to be singled out is if they did not have a financially secure parent to watch over them. I think anyone who has been in business in this province, especially anyone who has worked in a responsible position in a branch plant and also in an independent Canadian company, will sense the difference immediately when he walks in to deal with his bank.

If you are a subsidiary of ITT or any other multinational, you have big brother in Washington or wherever behind you. The banker knows that and he will fall over himself trying to meet your needs. For independent firms, generally that willingness is not present and it requires tremendous efforts to convince the banking community that you have something to offer, simply because you are on your own and they do not perceive you as having the same opportunity for successful or profitable enterprise as somebody else.

As far as the impact of termination notice legislation is concerned, the creation of an additional termination payment requirement for companies would result in the decline in the amount of money available to the secured creditor in the case of the company's folding. The major recourse the bank has in such cases is to step in first rather than to skate along the thin line of economic survival, which most businesses skate along from time to time. This line can be very fine.

As it has been explained to me, when a company gets into a certain situation, either by exceeding its line of credit so that the bank auditor or central office becomes aware of it or by running up significant overdrafts or by some other indication that the company is not living up to the generally very conservative credit arrangements that have been arranged with the bank, a red flag is placed on the account.

I am not criticizing the process. I am just explaining it the way it has been explained to me.

In those cases, the local bankers are told by their superiors. Generally, these are people in local branches who do not have a very great awareness of what is going on in a particular business. They are not businessmen as much as they are bankers. The two very frequently do not overlap; in fact, some people have been uncharitable enough to describe certain bankers as used car salesmen.

But the banker is given a clear warning that so-and-so is on tolerance. Anything that worsens the security of a particular loan is held to the responsibility of the credit officer. The credit officer, not wanting to lose too many businesses, is often advised to shoot first and ask questions afterwards. That, in a long, roundabout way, is the answer to your question, Mr. Chairman.

Mr. Chairman: You used the illustration of a small division of ITP. You just happened, I think, to use a US multinational and compared it with, I assume, a small Canadian firm.

Mr. Hale: Marketing the same product or the same service, yes.

Mr. Chairman: But is your message one of big versus small, or US-owned versus Canadian?

Mr. Hale: No, I do not pick on the US-owned company. It could be Weston; it could be Canadian Pacific; it could be SKF. US ownership is neither here nor there.

The main consideration is that a company with a certain product and, presumably, with a certain market is generally given a better chance of survival or viability if it happens to be attached to a larger corporate entity, regardless of the management skills of the people who are running the particular division or branch in question. You can have the most brilliant entrepreneur in the world, but until he has earned his first couple of million dollars the average banker is going to be far more skeptical than he would be if Galen Weston's Joe-boy walked in and said, "I just got a commission from the boss to market a new line of cookies."

Mr. Chairman: Just so I am clear then, it is big versus small and not US-owned versus Canadian-owned in the dealings with the Canadian chartered banks?

Mr. Hale: That is correct. Yes.

Mr. Chairman: Mr. Hale, in your experience and in particular in dealing with your own membership, is it your view that the relationship between your constituency--small business members--and the Canadian chartered banks is worse than it was 10 years ago, or as bad, or better? Is this something that is as old as the country itself or is it getting more severe?

Mr. Hale: I would not say it is more severe. I think the banks have been learning about small business. Certainly they are

Mr. Chairman: There will be an opportunity to speak to or amend the motion.

Can I now ask Rick Jennings and Martha Fletcher if they have a feel for what we are getting at?

Mr. Jennings: I wanted to ask, although no one has actually had the time to go through this in any detail, whether that format or what is covered there or the way it has been covered is appropriate. Again, once you have gone through it in more detail--

Mr. Cureatz: When you say "that format," you mean this package here.

Mr. Jennings: Yes.

Mr. Cureatz: I have not had a chance to peruse the fifth part, but as I walked in I had a look at this one. Quite frankly, I feel the first page and maybe a bit of the second seem a little too lopsided.

It would be fair to say about those plants we have investigated that maybe there is some concern about a lack of severance pay or whatever, but there may be other plants we have yet to investigate, although we will probably not have time before this session finishes, where there has been co-operation between union and management and where there has been a mutually satisfactory agreement reached in terms of severance pay, et cetera.

I feel we cannot come out so strongly now in terms of saying that carte blanche across the province there has been dissatisfaction with pensions and severance pay. I feel it should be toned down a little bit.

Mr. Mackenzie: Name those you are talking about that are satisfied.

Mr. Cureatz: You know, we have been meeting three and four days a week as it is and there is still a lot to do yet. I am saying I feel this is just a little bit lopsided.

Mr. Renwick: On that point, I think there has to be, somewhere at the beginning of the introduction, a specific statement delimiting what we are talking about. Everything must be done within the basis of the proceedings of the committee and the evidence which came before it. We cannot extemporize about the galaxy of stars if we are still tied to the earth here. You cannot deal with it that way. Everything must be within that framework.

For example, I think we have to have not a fine scientific one, but a very workable indication of what we mean by a plant shutdown--what we mean when we say that. We have to say all of it is based on the evidence before the committee, and in particular on the case studies of the seven or eight companies we have worked on; and that these recommendations are preliminary, but, on the basis of the evidence, the committee believes them to be valid

conclusions and recommendations based on that experience.

That kind of reservation is essential to make our report both credible and understandable.

Mr. Chairman: I have been hearing two very different--.

Mr. Cureatz: My comment is that we could say very simply, "First, plants are being shut down in the province" or "across the province," not in every part of the province. Are they being shut down in the village of Newcastle? They are not being shut down in every part of the province. I would say, "Plants are being shut down in"--

Mr. Mackenzie: How about "in every geographic area of the province"?

Mr. Cureatz: I think it is a difficult area to get specific about. That wording can be worked around.

"Secondly, many of those whose jobs are lost in plant closings..." and, going on, "These human costs of shutting down a plant are simply immeasurable." No doubt that is true, but I do not think so necessarily at this point in time.

The committee's scope is to take a look at these two aspects and that is it. Let's get at it. Let's get to the meat of it. That is my feeling.

Mr. O'Neil: I have been sort of hopping over those first pages, but is what is said on page four the direction the committee wants the interim report to take? The last paragraph reads, "The balance of this report summarizes the information which emerged from the ministry briefings and the case studies; highlights the issues the committee believes are at the heart of the matter and which will be studied more intensively in the next few months; and, finally, makes certain recommendations." Is that what the staff is proposing?

Mr. Jennings: The recommendations of this committee have not come out. I have included the recommendations which came up during the hearings, raised by the witnesses or by the members. Again, that is something else we wanted an indication on. It has come up today whether we will have recommendations or not. Obviously, that has to be resolved at some point.

Mr. O'Neil: Mind you, I feel that by putting down what different people have said--the companies, the unions and so on--it could tend to generate more discussion for us or more information coming to us in January. As long as we have not skipped over any of the points, I see that as being a fairly good format to follow.

9:20 p.m.

Mr. Jennings: This is what we are looking for direction on, whether we will have recommendations and, also, if it is decided that recommendations are going to be a part of this

interim report, how you want it approached.

Do you want to discuss the recommendations and basically have us take them down, or do you want us to make up a list of possible recommendations in the various areas that have been covered and then discuss their viability at a later meeting?

Mr. O'Neil: I like what you have there. You have recommendations from everybody, things that do not agree; one does not agree with another; one group does not agree with another. That gives us something to look at to help us formulate final recommendations after the hearings in January. That is my feeling about it anyway.

Ms. Fletcher: You would basically like to see a section saying, "These are the contesting viewpoints," but with no choices. Is that what you are saying?

Mr. O'Neil: I think that is what I would like to see at this point, yes, so that we can look at all sides of the issues and, with the hearings in January and keeping these in mind, formulate final recommendations at the end.

Ms. Fletcher: In a sense that would be a section of the report. We originally thought of it as a basis for discussion now, but you would like to see it included as such in the report.

Mr. O'Neil: Let's see what the rest think.

Mr. Cureatz: Mr. O'Neil, would you regurgitate once more what you would like to see? I think I like what you are saying.

Mr. O'Neil: Okay. What the staff has come up with is more or less a condensation of what the different groups--companies, unions--who have come before us have said. What we can say in our interim report is that this is what we have got so far; that we will be continuing in January with further hearings; there will be other things added; and at the end we will take these things we have heard from the preliminary hearings, the hearings in January and then we will come up with our final recommendations.

Mr. Cureatz: A package.

Mr. Turner: I do not disagree with that.

Mr. Chairman: Further to the point Mr. Cureatz made with regard to the introduction before us here and the resolution that set up the committee, I do not want to get into the details of this but I think that is outrageous.

Mr. Turner: What? The resolution?

Mr. Chairman: The tone of the introduction. It does not reflect the balance we have been trying to find in other aspects. I just leave that with the committee to think about. We can come back to it. Nothing is going to be chipped in stone here. It seems to me that at the very least that is highly inflammatory.

and says, "You have to hire a certain percentage of minorities of some description or another in order to remain eligible for this contract," that is an ex post facto thing and I do not think most businesses--and it comes down to the basic reason that brings them into business in the first place, the ability to be their own boss--would accept that sort of thing.

5:10 p.m.

Mr. Mackenzie: You are saying that in terms of purchasing or parts they would want to be free to buy from anywhere. They would not accept that either as a condition.

Mr. Hale: That would depend on how it was phrased. I know that the Ontario government has a buy-Canadian provision which states that a 10 per cent preference shall be given to goods and services manufactured to a certain degree by Canadian firms. I think it is Canadian-resident firms, not Canadian-owned firms, although I stand to be corrected on that. If it is that sort of thing, if the provision is relatively flexible and does not impose unnecessary or unacceptable burdens, I think they would be prepared to accept them.

Mr. Mackenzie: Mr. Hale, one of the things that bothers me in your brief, and one of the reasons the chairman laughingly said he was surprised you got as far as you did without a reaction, is that it is a very strident brief. It does not make a person like me, who happens to have a fairly strong feeling that one of the things that is wrong is that we do not develop enough of our own businesses--what comes through from your brief is not just a defence of small Canadian businesses, but a cry--or a growl, if you like--that your people cannot get away with what the big outfits get away with with the banks or what-have-you. All you want is to be free to have the same advantages as the big boys. Your condemnation of the banks very strongly comes through that way.

Mr. Hale: I am not condemning the banks. I am just saying that these are the facts of life and that governments or legislatures should recognize the existing facts of life before making life any more difficult.

Mr. Mackenzie: You have said they are trigger-happy and responsible for putting people out of business and any number of other things.

Mr. Hale: Well, they are. Some banks are trigger-happy. Frankly, the banks are the most risk-averse sector of the Canadian economy. I do not like it, but it is a fact of life that I understand and I work from that.

Mr. Mackenzie: Is that small business or big business you are talking about?

Mr. Hale: It is significantly more risk-averse for smaller firms than it is for big ones.

Mr. Mackenzie: That is part of the point I am trying to make.

Mr. Hale: I am not complaining about that. I am just stating that it is a fact of life.

Mr. O'Neil: You should be complaining about it.

Mr. Mackenzie: I am not sure you are not saying, "If we got treated as well as some of the other guys, we would not be raising this objection."

I have a very close in-law who sits up on the fifteenth or eighteenth floor of that damned Toronto-Dominion Centre and his only job is seven or eight big accounts. He is on the plane all of the time to Calgary, Edmonton, Winnipeg, down to Chicago, and he has one down in Texas. They are dealing with hundreds of millions of dollars. He is at their beck and call.

Mr. Hale: Right.

Mr. Mackenzie: I understand you do not get that in small businesses.

Mr. Hale: And you do not expect it.

Mr. Mackenzie: Forgive me. What comes through here is, "If you only treated us the same way, we would not be squawking to you."

Mr. Hale: That is an interesting comment.

Mr. Mackenzie: I only have one other question. I gather from your comments on severance pay that you do not like it, period, but, if we are going to have it, it should be negotiated rather than legislated.

Mr. Hale: That is correct. Also, an individual who has been dismissed without just cause should be able to seek redress on his own.

Mr. Mackenzie: Is that pretty well the view of the small business organization?

Mr. Hale: Yes. Seventy-two per cent of our members, when asked in a recent survey, said they were absolutely opposed to legislated severance pay. I think the figure was 17 per cent who were in favour of the principle. Ten or 11 per cent qualified their approval.

Mr. Mackenzie: What concerned me and really made me question the credibility of your brief, if you will forgive me once again, is when I saw that, of your members, four per cent have agreements with their employees and 96 per cent do not. I would like to know how in hell they could negotiate a severance pay arrangement if they wanted one.

Mr. Hale: In the case of the bulk of the 96 per cent, it

would be conferred, not negotiated.

Mr. Renwick: Mr. Chairman, may I say to Mr. Hale that I appreciate the time and attention he has given to the work of the committee since we first started to sit.

The second thing I would like to say is that I do hope, particularly in the light of a couple of questions and a couple of comments I have on the brief you have submitted to us, you will take the opportunity between now and early in the new year when the committee sits again to make a further submission on behalf of your organization to the committee.

I am going to skip the rhetoric in your statement because I am more interested in some of the fundamental questions faced by small firms in Ontario that may be in a position of having to go out of business one way or another.

Mr. Hale: Fair enough.

Mr. Renwick: Could you let us have, not immediately but in due course, a statement of the background of your organization? I particularly would like you to distinguish it from the other organization representing the business community? I would like to know how many members you have, particularly in Ontario, and I would like to have a breakdown of your membership, if that is possible.

Mr. Hale: I can give you that information immediately. Some of it is in our brief and some of it is not.

Mr. Renwick: If it is not in breach of any of your rules or regulations, it would be interesting to have an analysis of the member companies of your organization, their size, the nature of their business. That kind of breakdown would be helpful and I do not know of any other convenient place for us to get that information except from you.

Mr. Hale: I can give you some of that information right now, Mr. Renwick.

The Canadian Organization of Small Business was founded in August 1979 to assist Canadian-owned and -managed, private businesses and independent professionals in their dealings with government and with private sector bureaucracies.

Our goals and objectives, without the written statement in front of me, are, roughly, to promote and extend the principles of responsible, independent, and competitive enterprise in Canada; to assist members in their dealings with government on a day-to-day basis; to provide advice and assistance to people in the public sector, both politicians and civil servants, in making policies that affect independent firms on a day-to-day basis; and to work with other associations with like objectives wherever it is in the interests of our membership.

We also provide practical services to our members in various areas of the running of their businesses, generally upon request,

and most prominent among these would be a referral service which gives them access to professional expertise within their communities or within their regions, where appropriate, on various common problems which face an independent business from time to time. These may be legal problems. We do not practice law. We would not dare compete with the legal profession; however, we know of many lawyers who service small commercial clients efficiently and for a reasonable price and who have been recommended to us by our membership.

Similarly, we develop lists of bank managers. May I say I am not uniformly critical of the banking community. We make it a point to discover bank managers who are exceptions to the traditional pattern of, shall we say, neglecting small business or treating small business as an encumbrance upon their operations, people who are good commercial lenders, who know how to take risks and who know how to evaluate the status and the potential of their small business clients.

5:20 p.m.

As far as our membership is concerned, we have approximately 3,300 members across Canada. When I say approximate, it is because many of them are at the renewal stage right now and I do not know if that figure is up or down by 100.

In our first 15 months of operation, about 1,300 or 1,400 of those were located in Ontario. As far as the size and composition of our membership in Ontario is concerned, about 70 per cent have fewer than 10 employees. Another 15 per cent have between 11 and 24, and another 13 per cent or so have more than 25.

As you will see from the survey data on page 15, a majority of our membership has been in business for less than 10 years. They are either going through the very difficult start-up phase or through the challenges of expanding and consolidating their businesses which claim probably the majority of businesses in their first five years of operations.

When we stated that companies that had not been in business for an extended period of time face completely different problems and challenges than better established companies, we were thinking of the statistic which has been bandied about that more than 60 per cent of all companies or all individuals starting in business for the first time do not make it through five years of operation. This figure halves the second time around and, I understand, halves the third time around. So the motto "Try and try again" is quite appropriate. Sometimes, however, it takes a fair time to get from the first try to the second try, depending on the depth of the fall.

In terms of the kinds of business in which our members are involved, the best information we have would suggest that between 50 and 55 per cent of our membership is in the service and retail sectors. It is often difficult to distinguish between the two. About a quarter are in manufacturing, and almost 10 per cent are various kinds of professionals from veterinarians to doctors, lawyers, accountants, insurance people and so on. There is also a

scattering in other industries, such as transportation and construction.

As for the location in Ontario, I would say that about 40 per cent are located within the greater Metropolitan Toronto area and about 75 per cent within 100 miles of Toronto.

The annual sales volume, as you will see--this is the first time we have asked our members that question and we had some resistance when we asked it this time. To the best we can determine, 78 per cent of our membership would have annual sales of under \$1 million. The next time I get back to the office and look at the federal statistics sheet I can tell you how that compares with the economy as a whole.

Mr. Renwick: I appreciate that rundown of the profile of your organization. I would appreciate it if, after the turn of the year, you could perhaps reduce some of that information to direct schedules and make it available to the committee, because I think it would be an important exhibit for the committee.

Mr. Hale: I certainly will.

Mr. Renwick: I am not asking you to burden yourself with other than the kind of information you have just given us.

My one comment, of course, is that you can see we have been interested in, and our terms of reference indicate that we are talking about, manufacturing operations, basically, and the shutdown of plants engaged in the production of goods. That is the major sense of what we are involved in.

Mr. Hale: Might I comment on that?

Mr. Renwick: Yes. You said roughly 25 per cent of your membership was in the manufacturing sector.

Mr. Hale: Yes. If I might further comment, I did a breakdown on the level of companies which provided systematically for the retirement income of their employees, either through pension plans, DPSPs or some such setup, and I think more than 40 per cent of the companies that do provide some such benefit for their employees are in the manufacturing sector. Most of those would have more than 10 employees, but I think in our survey the majority would be in the 11- to 24-employees range for that sector. I can break that out for you.

As far as the Employment Standards Act is concerned, however, that applies to all businesses, and all businesses, whether retail, service, manufacturing, construction or any other, have a valid interest not only in what is put into the legislation but the philosophy that underlies it and what implication that has for future changes in the legislation.

Mr. Renwick: I quite appreciate that and quite understand it. Our mandate is related to a narrower sector and that specific sector. I want to come back to the major concern I have, why I hope that you will make a further submission.

Near the beginning of the brief, you say, "Of the 20 Canadian-owned companies outside the automotive sector which laid off between 25 and 100 employees in Ontario in the first nine months of 1980, 12 went out of business and four more relocated their operations within Ontario."

Then, further on in your brief, the part which stimulated the chairman to respond about the banks--and I am speaking about the numbers--says: "As noted earlier, of the 26 Canadian-owned firms which laid off between 25 and 100 employees in the first nine months of 1980, 15 closed down their operations completely. Most of these closures were involuntary, as banks and other creditors forced those companies into receivership."

Can you give us the particulars of those companies?

Mr. Hale: The information on which those two figures are based is derived from Dr. Elgie's tome, his 40 or 50 pages of material. That information was taken from a quick scan of the material, noting when companies had closed down as opposed to a partial layoff situation or a temporary shutdown.

Mr. Renwick: I recognize that in all likelihood some of these companies, whether it is the 26 including those in the automotive section or the 20 that are outside the automotive section--I just want to understand where the information came from. I take it this has nothing to do with your membership. Some of them may be members and some may not be.

Mr. Hale: Yes. That data is drawn from the information as presented by Dr. Elgie. Obviously, we do not have complete statistics on independent businesses with fewer than 25 employees for the very simple reason that, if none of the government agencies with all their tremendous information gathering systems can keep track of those people or have the foggiest idea of how many people are being employed or losing employment in that sector, with our relatively limited resources we would not have a prayer.

Mr. Renwick: Right. All I was interested in was the source. What you tried to do was go through and spot the Canadian-owned companies within that range of employees and try to assess the basis. That is helpful. Perhaps our staff can follow up as to whether that is a valid method of getting a decent sample of small businesses in the manufacturing field in Ontario, for this reason.

5:30 p.m.

Let me put it this way. Everybody on the committee will fully understand that recommendations with respect to something called large business, as distinct from something called small business, require very careful consideration before being made blanket. That is marginally true under the Income Tax Act. There is always this argument as to what the dividing line is. Wherever somebody fixes the dividing line, one recognizes that the impact may well be different. What may not be acceptable on small business may be acceptable on something called large business.

We are dependent, in many respects, on people like yourself, in consultation with our staff, to produce for us, perhaps in the turn of the year, some of these companies which are small firms where we can get, not some generalized rhetoric, but some real basic sense of the response that may be made, because we may have to direct our attention to where the dividing line is and what the exceptions, limitations or exemptions may have to be with respect to something called small business in the manufacturing sector. I don't know what they are, but I am saying we are dependent on an organization such as yourself for that kind of information.

I am not certain whether or not the committee will proceed that way, but my thoughts are that we go to the proposition that we are going to have to look at some kind of sampling of companies that are in that area. It may not be necessary to call them as witnesses; it may be that simply by consultation with those companies, our staff can get the kind of profile and information that we need to make the distinction.

It would be extremely helpful, again leaving aside the rhetoric, if you could help us in that kind of work. We may get it, but I would expect we would not, from the Canadian Manufacturers' Association. We may get it, but I expect we would not, from the Canadian Chamber of Commerce. We may get it from the Ministry of Industry and Tourism, but I expect we would not. We may get, and likely can get the statistical information about the bankruptcies and the insolvencies that have occurred and the names of the companies that are involved in it, but I don't think we are going to get very much help, any more than it is likely that any of these very small companies can have the resources to be available for government assistance in any way.

Mr. Hale: In response to your comment, Mr. Renwick, we had anticipated in some measure your desire to get some idea of what the circumstances of an individual small business that was either on the verge of collapse or had gone through the process and somehow survived a period of imminent failure. In going through our membership list we have a number of companies which have gone out of business. Trying to trace those companies is a virtual impossibility. People tend to go for cover and not want to talk about the experience.

However, if I might beg the indulgence of the committee, I think that a great deal could be learned, inasmuch as in many of your comments prior to today you have concentrated on the desirability of keeping potentially viable companies in business wherever possible. Bringing companies which have gone through such experiences, preferably a few years ago so that they do not have to look over their shoulders when making comments about their financial situation and so on, I think that would be a valuable thing.

If the committee were to find it possible within its agenda, we would certainly encourage companies which had gone through this sort of situation, to appear before the committee, or to meet with committee staff, to provide some background on the ways in which potential business failures can be handled with a small firm, and also the ways in which business failures can be prevented by

helping the business to accommodate economic forces rather than fight them.

Mr. Renwick: It would be extremely helpful for us to have this from the small manufacturing operations in Ontario which have gone into bankruptcy, either voluntarily or involuntarily, in the last year or 18 months. It may be that with the co-operation of officers of those companies and the co-operation of the trustee in bankruptcy that we could get a pretty quick assessment of what the principal causes were for the collapse of those companies.

It may well be that the collapse is related to feeder plants to the automotive industry in some way. It may well be that it is somebody higher up the line that has survived but the little guy has gone to the wall. Or it may simply be the misfortunes of business. Without our going into it as if we were all going to become masters of business administration, and we are not in a four-year course here, I would guess that we could pretty quickly get, if we can select the companies, the kind of information that would allow us to make a wise judgement about the extent and degree to which the recommendations of this committee should apply in smaller instances. We may be able to make some other valuable ones, rather than just the question of whether they should or should not apply to them.

Mr. Hale: I think two areas are worthy of your consideration. First, the area of a sharp, sudden collapse, generally externally caused, of a company in an expansion phase suddenly overreaching its financial resources and being called to account by some creditor, not necessarily a bank. The other is the long, lingering situation where an employer has perhaps refused to recognize that something is virtually impossible under either internal or external circumstances but goes along from month to month without any significant recognition of either the potential for collapse or any acceptance of the fact that because the company is not making it, or is not going anywhere, he should start to look for ways in which he can reduce both his own exposure, if he is at all sensible, and the exposure to which he is exposing his employees.

Mr. Renwick: While management is always a factor, we are not interested in some kind of analysis of the quality of management. What we are talking about is the precipitation of closedowns and the reasons why they take place in a situation such as we now have in Ontario.

There are always going to be companies where the quality of management is in question, but we are talking about circumstances and situations where manufacturing operations are going out of business, whether it is because of a disappearing market, failure by the banks or other financial institutions to extend the kind of assistance that should be available or failure of government to provide the kind of consultative services which can be provided to small business. Those are the kinds of questions that we must address.

5:40 p.m.

We must also address, on the other side of it, this basic fundamental situation that a great number of the working people in those small plants are unorganized. They don't have any buffer protection in most instances. That is a countervailing factor there. We have seen quite clearly that the big unions are powerless in the face of these decisions. We certainly cannot expect even the minor protection that the big firms can provide for their members in the event of shutdown to be available to workers in plants which are unorganized and have no collective protection against it.

It is that kind of problem that we have to balance off. We have to look at it from the point of view of small business as well as large business, while recognizing the significant distinctions that there may be, particularly when firms go out of business.

The interesting thing is that the companies we have looked at are not going out of business. They are going to continue to thrive in their world. The \$66 million of Armstrong is still there. The 30 per cent increase in business of SKF is still there. They are still going to be around; they are still going to be making profit. They are still going to be involved in it. The \$54 million is still going to be in the bank account of Steep Rock. Those kinds of questions are ones that we are addressing.

We have to address the problem of small business going out of business because of other reasons. In other words, they are not going to survive somewhere else. They are going to die. We have to look at it that way. That, to my mind, is the dividing line that we have to start thinking about and be very careful what we do in the judgements of the committee, bearing in mind that we have an obligation, which I think we all share, that the unorganized worker in the province doesn't get a poor shake in the reality of something called--I don't know what you would call it; other people, not myself, call it the market economy, but I have never found the proper word for it.

Mr. O'Neil: I would also like to congratulate Mr. Hale on his interest in the committee, on his attending the meetings and on the brief that was presented. There are some things that I think are excellent in your brief. There are other things on which I don't totally agree.

Like Mr. Renwick, I hope Mr. Hale continues to follow the proceedings and that he will put in another report somewhere towards the middle or the end of the committee sittings.

On page four of the brief there is a reference to "turning around troubled companies" and "rescue teams" and so on. Is it your feeling that there is sufficient help given to small and medium-sized businesses in helping to turn around some of the companies that are having trouble?

Mr. Hale: I can't answer that with a yes or no. Right now it depends very largely on whether the companies themselves are willing to look for help. One of the biggest problems in any management structure, whether it be an independent business or a

branch plant operation, is that when a manager recognizes that his company is on the rocks, he has a tremendous personal question to answer. Is he going to admit failure and go for help, or is he going to bite the bullet and dive for cover? I think that is the major psychological problem that has to be overcome before companies can be turned around. Because if you don't admit that you are not up to doing the task today with this company in this set of circumstances, nobody in this world is going to be able to help you.

In terms of directing government assistance--or government sponsored assistance, which I think is the more appropriate format--to the problem of small and medium-sized manufacturing firms, or any other firms for that matter, the key is to find people to whom the owner-manager can relate as an individual, whom he can respect and whose expertise he is going to want to put to use.

A survey that another organization did a year and a half or two years ago stated that government was the first or second most important source of business information for no more than two per cent of the members of that organization; that they would look to their professionals, to other businesses in the industry, even to libraries, before they would go to government.

Mr. O'Neil: Why do you feel this is the case?

Mr. Hale: Because they don't believe that civil servants have the understanding of their businesses to be able to help them. Maybe you have heard the old line: "I'm from the government. I'm here to help you." That has been characterized as one of the three greatest lies in the English language. I am not going to say that that is or is not so, but it is perceived as being so; and that perception is more important than the quality of the service that may be offered by the Ministry of Industry and Tourism in this province, by the federal Business Development Bank or any other agency of government.

Mr. O'Neil: You believe that there is a job there that needs to be done by government to sell this idea and to be there to assist small business or larger business more than they have done up to now?

Mr. Hale: There is a selling job to be done, but instead of going against the most deeply held prejudices of the small business sector, it would be a more worthwhile exercise to enable companies to gain assistance from qualified private professionals where the credibility barrier is not already in place. Given the fact that in the case of most small companies going for help, time is a crucial factor. Getting over the credibility problem can take time that that company does not have.

When companies come to us, and there are six or eight companies a year, members, which come to us as basket cases. There is no other word for them. All else has failed, so they come to the Canadian Organization of Small Business. In those cases we would not go to Consumer Action for Social Emergencies or some other government funded or sponsored operation.

Mr. O'Neil: It takes too long.

Mr. Hale: Either because it takes too long, or because that credibility problem would prevent the employer from saying, "This guy is here to help me." We have independent professionals on call who work on a contingency basis and who are very good. These people are out there; they have a track record. They are not free, but if they deliver, it is worth it.

Mr. O'Neil: I find your comments interesting. When Mr. Joyce was before the committee he mentioned that if a firm came to them for help, they would be prepared to go out and help. It is my feeling also that sometimes that is much too late. They should be initiating something to let people know that they are there to help; that they can steer them to people such as you are steering them to. Maybe they should even give them a bit of financial aid to help straighten things around.

In your brief you come up with some very definite ideas. Where have most of these ideas come from--your membership or your directors? You put together quite substantial brief in a matter of a few weeks. Where have these ideas come from?

Mr. Hale: In the case of the severance pay and Pension Benefits Act sections, they have come both from members and from members who are also consultants--people who have gone through the statements, the testimony and the evidence that have been presented here and in other forums, and who have assisted us to look at these areas from a practitioner's point of view. That is the case with the Pension Benefits Act, and with severance pay.

5:50 p.m.

In terms of some of the prejudices, as Mr. Mackenzie would probably characterize them, that are in there, you had better believe that we have had quite a talking to from our members, and they have expressed their views in no uncertain terms. This is perhaps the beauty of a phone survey compared with a mail survey, aside from turnaround time. If our members have somebody on the line to talk to, they very frequently do not pull punches. You are not out to lead them because you want as fair a view as possible; in fact you bend over backwards. Knowing the probable prejudices of your members, you get them all the same.

Mr. O'Neil: I notice on page two you say, "For every medium or large-scale plant closing in Ontario in the first nine months of 1980, six and a half major new investment projects in manufacturing industries--each worth more than \$500,000--were launched in this province." Where did that information come from?

Mr. Hale: I picked that up from a speech that Larry Grossman gave to the Mississauga Board of Trade a few months ago.

Mr. O'Neil: I have heard the odd bit about that on the radio and I just wondered how much faith you can really put in that comment. I just wondered about your including that in your brief. When many parts of it are so good, I wondered why you would take, verbatim, what he has to say. I question that.

Mr. Hale: Because it follows the qualitative information, if you will, rather than the number crunching that we have picked up from talking to people all over the provinces--people in various industries, our membership, municipal government people and specialists in economic planning outside the government area.

These things are actually happening, and that was a convenient figure that just happened to fit into the context. It is not just all gloom and doom. We do not have simply a case of deindustrialization. One of the big buzzwords which has floated around this province, and very alarmingly so, for the last three or four years, has been the question of deindustrialization of Ontario.

Frankly, that is not happening. While some industries are undoubtedly in a sunset position and some are facing serious cyclical problems, there are new industries coming in to take their place. From discussions with some of your colleagues, the question of that industrial strategy of encouraging those winners, I have had long discussions with some of your colleagues in determining what the role of government is in those situations.

I find it inappropriate, whatever Mr. Grossman is saying--I quarrel with some of the things he says on occasion--that the question of plant shutdowns should not be considered, apart from the broad picture of some companies coming into business, growing, prospering, as well as those that are in trouble.

Mr. O'Neil: We do not have a chance to question the minister on that again, but he has staff sitting in, and I imagine he will be aware of our concern on those points.

I noticed comment eight on the questionnaire you sent out, "Does your company make any regular payments towards the retirement income of its employees?" The response was yes, 18 per cent; no, 82 per cent.

Does it bother you when you get percentages like that back--that in the smaller businesses there is no allowance being made to give these employees a pension benefit at some future date?

Mr. Hale: In some cases it does and in some it does not. As you will note, more than 70 per cent of our members have fewer than 10 employees.

Mr. O'Neil: Does it really matter that they have 10 or 1,000? Don't you think that they should be made to give some sort of coverage for the smaller group?

Mr. Hale: We are encouraging our members, where their cash flow, their economic situation permits, to go into this area. We have run sections in our membership newsletter, The Voice of Small Business, telling people that it is in their personal interest to set up employee benefit plans of some form.

A traditional obstacle to the creation of such plans has been the federal tax law which prevents significant shareholders

in Canadian corporations from setting up a pension plan of which they would be deemed to be the prime beneficiary. Obviously, if somebody has been in business for himself for 25 years and he has the normal turnover among his employees, he will have a higher level of pension entitlement than virtually any of his employees.

That traditional federal barrier to small business owner-managers setting up their own pension funds has been a tremendous barrier to their employees getting it. If an employer does not get any benefit out of spending that sort of money, he or she would be less likely to allocate three or five per cent, or whatever, of their annual margins after sales to a pension plan.

Now that that is out of the way, and it has only been out of the way for a little over a year, we are working with various other associations and with individual members to encourage the development of private group insurance plans for the particular needs of businesses in various industries. After these one to 10 employee companies have got over the hurdle of the first five or six years that it takes to become economically viable, we want them to get into the employee benefits area.

We believe that an employee who has that form of security is more valuable to a company because he has a greater sense of personal security. We do not believe that any individual should be absolved of the responsibility of saving for his or her retirement, but employees and employers working together can do it a lot more effectively.

One proposal we have made to the federal government, to assist in facilitating the creation of retirement income plans, is to make employer contributions to an employee RRSP tax deductible. They are not at present. This would permit a company with three or four employees and who could not afford the actuarial costs or the paper burden of setting up a pension plan--and these are things that are perceived as significant obstacles by our members--it would permit them to contribute to the RRSPs of individual employees.

These are among the ideas that we have looked at. We certainly look forward to doing more than that when the royal commission report comes down, whenever it does come down.

Mr. O'Neil: I have one other point I would like to hit on before we adjourn. I was interested in your comment about banks not being risk takers. I take it that is more or less what you were saying.

Mr. Hale: Rated as a whole, that has been our overwhelming experience and that of our financial consultant people who are in the business of finding money for small businesses.

Mr. O'Neil: I agree with you on that. When the minister and some of his staff were there I questioned them--we deal with the Eastern Ontario Development Corporation--

Mr. Hale: Who are marginally better, if at all.

Mr. O'Neil: Marginally better, if at all, is right. They did say that they were looking more towards the small business people, but it has been my contention, after being a member of the Legislature for five years, that when I have people come to me for help in my area, if they are small businesses or small manufacturers, they find it very difficult unless they can give the bank collateral for everything that they want to borrow and are prepared to pay high interest rates to the federal bank.

They go to the Eastern Ontario Development Corporation who do not really want to be bothered with smaller companies, people with five or 10 employees. They are not really set up to deal with them. They try to put them every other place before they will do anything for them. They don't have the time for them. So really these kinds of people really have nowhere to go.

Mr. Hale: There are two points to be made in response to those comments. First of all, Mr. Mackenzie raised a valid point when he said that larger companies offer a lot more profit for the time that can be allocated to them by individual bankers.

Secondly, as far as government funding agencies are concerned, there is still an unfortunate habit--and I would tax the federal people with it more than the Ontario Development Corporation, perhaps--to look for big ticket items which will make a big splash in the newspaper and, with respect to the people on the government side here, make a nice headline in the local paper. I think that is perceived by professional people who deal with government funding agencies to be a continuing problem rather than the relatively unrewarding, relatively unprofitable work of trudging through small businesses day after day.

6 p.m.

Mr. O'Neil: I think you are right there and I think Mr. Mackenzie made another point about if some of these people could get a small reduction in the current interest rate to assist them over those tough first few years, these are the companies that employ more people than sometimes some of the bigger companies. I have really seen this and I know this thing is sort of shrugged off by the ministry and the government. Certainly there are people who go for money who should not have money, but I think there are a lot of people, if the banks and the government were to give them more assistance, take a little more risk with them, we would generate a lot of new businesses and a lot of jobs.

Mr. Chairman: On that last comment, I said I did have an observation and it does fit in nicely. I am not at all surprised, and I agree with the comments made, that governments tend not to be effective bankers. It does not surprise me at all. The question that I am left with, though, is whether bankers might, in light of the changing world, readjust what has been their traditional role as governments must readjust what has been their traditional role.

Mr. Hale, I want to close this way, I do hope you do come back. I appreciate the time you took on your brief. On page 13 of your brief is a sentence that I think is as effective a message for this committee and for your constituents and for others who

might be monitoring this committee as has been made: "But in a world changing as rapidly and as irrevocably as the Canada of the 1980s, there can be no free lunch."

The way I hear that is that those changes that are going on out there are only some of them cyclical, all of them fast but some of them are permanent in nature. So a committee like this is in the process of trying to speak to the changing relationship between governments, other institutions in the community, employers and employees in the community. When you do come back I hope that you can speak a little bit more perhaps in the written part of your next submission to the nature of those changes that might be best, at least for your membership.

I guess all I am saying is that the roles of the 1940s and 1950s and 1970s, all of them, that affected all of the major participants in the community, are not going to work in the 1980s and 1990s. While this committee's mandate is fairly tight--we will have a report in two or two and a half months' time--we will have an opportunity to explore some of those other changes. What is the relationship between industry and tourism in your membership? What should it more properly be? Lending institutions? I doubt that that is the intelligent way to build for the 1980s and 1990s. What might the new relationship be between governments and lending institutions? Employers and employees are going to have to revamp the nature of their contracts, in my judgement, too.

So we end up with a good submission, with more questions than answers, but we have heard some important thoughts and maybe when you do come back we can get into some other aspects of it.

Mr. Hale: I appreciate your raising that last point because certainly the relationship between employers and employees differs enormously between small independent businesses and larger companies whether they be branch plants or self-contained entities, it is very much more personal. Bitterness can creep in over various day-to-day problems. The sense of mutual responsibility can be--not always is, but can be--something which is totally irrelevant to any legislative solution.

I would refer to the part of our survey which states that 83 per cent of the business owners feel that they have a considerable responsibility to a relocation of their employees. What that number does not indicate is that, while some may have been completely turned off by the experience of moving people in a business sense, many have a passionate feeling in terms of what responsibilities are involved in dealing with their employees and that what is perceived as the interference of government in a broad brush basis, responding to what may be the perceived evils of large impersonal work places, that these things, they feel, are totally irrelevant to them and in the long run that that attitude breeds disrespect for the law and for the state which enforces that law, which does not help the people at this committee.

It certainly does not help us trying to deal with government to put as much common sense as possible in the application clause and it makes it more and more difficult to legislate on solutions because of the diminishing returns of legislation when people are

not willing to believe in government and its relationship with the small business man.

Mr. Chairman: Mr. Hale, again thanks very much. I am sorry more members of the committee were not here but, as you know, they will have access to the transcripts and undoubtedly will, prior certainly to your next visit, have an opportunity to go over the comments made.

We are adjourned until eight o'clock in this room, at which time we will consider our report.

The committee recessed at 6:08 p.m.

see, Mr. Chairman, your report will--

Mr. Chairman: But that is a different topic; that is something to be resolved upstairs.

Mr. Martel: This report will simply be reported by you. When you report it, you are the one who moves the adjournment of the debate. The House leaders, then, if they so desire, schedule an opportunity for that particular debate. That is what the rules are for. And unless something is out of order--

Mr. Chairman: But you are one of the three House leaders; you don't even know what we are going to do next week.

Mr. Martel: Even if we are like Heinz and we put 57 reports in, that doesn't matter a tinker's damn, because nothing has been violated; no rules have been violated; nothing is out of order. A committee can report what it wants when it wants to. Surely, that is the prerogative of the committee.

The chairman should not be putting himself in a position of saying, "I want to rule this out of order," unless something has been violated.

Mr. Turner: Somebody else can if--

Mr. Martel: If members over there want to move it, then they have to test the--

Mr. Turner: No, I mean of the House.

Mr. Martel: In the House, no. He will move the adjournment of the debate. He tables it and he moves the adjournment so that it can be debated sometime down the road. When that sometime comes is a decision that the House leaders have to arrive at. But it does not matter.

Hydro has one report on to be debated this Thursday. They are in the process of tabling another document, which has not even gone to the printers yet, I understand. And they are working on another one. Nobody says to Hydro, "You are presenting too many reports." In fact, there are four reports this fall standing in the name of the select committee on Hydro.

Mr. Cureatz: It is a very interesting argument and I would like to get this show on the road. I just want to ask the clerk: Did you work out something, roughly in terms of what some of us were indicating, to see if that was acceptable to Mr. Mackenzie and in terms of the chairman's rule? Maybe we can vote in terms of the chairman's ruling after we hear from the clerk and we will get it on the way.

Mr. Martel: The chairman ruled it out of order.

Mr. O'Neil: Before you hear from the clerk, is there any way that we could amend Mr. Mackenzie's motion, saying--

Mr. Cureatz: That is what I am trying to do.

Mr. O'Neil: --"Since we understand that the Minister of Labour will be dealing with this problem tomorrow, it is the feeling of this committee that the subject of severance pay for employees who are laid off should be discussed in some way as to whether it is one week's pay for each week of service." And we should also be dealing with the matter of where it applies as to the number of employees.

Could it be worded in some way like that?

Mr. Chairman: Mr. White, can you speak to these questions?

Clerk of the Committee: The regulations made pursuant to the Employment Standards Act set out the category of workers to whom the act applies, I believe. Therefore, were the motion to be amended by words to the effect of adding simply "for all employees to whom the Employment Standards Act and its regulations apply," I believe, not being a lawyer, and having simply spent a few minutes flipping through, that would cover some of the objections that members have raised.

Mr. Turner: It certainly clarifies them anyway.

Mr. G. I. Miller: Then it would depend on the number of employees to whom the severance would apply. Is that what you are referring to?

Mr. Mackenzie: The minister is going to have to come up with the wording of an actual amendment on that, but that intent is certainly acceptable.

Mr. Martel: You see, we are not drawing the amendment; we are only making a recommendation. Therefore, we are not responsible. If we give the import to them of what we mean, it is up to the minister to draw on legal expertise to put that in the form of an amendment. We do not have to draft the legislation; that is not our responsibility--as long as they understand the report.

Mr. Cureatz: Does Mr. Mackenzie also add to his motion what the clerk said?

Mr. Mackenzie: I would be willing to do that, Mr. Chairman.

Mr. Chairman: With respect, this is one chairman who is not the least bit reticent to be challenged on this, but I did rule that the motion, with or without amendments, was out of order. I am in the hands in the committee.

Mr. Martel: Could we ask you to withdraw your ruling?

Mr. Chairman: No, but would the committee get on with--

Mr. Cureatz: Let's put the question. Will someone challenge the chair? Will you do that?

Mr. Renwick: Would the clerk read out his motion that Mr. Mackenzie could move along the lines that you have suggested?

Clerk of the Committee: Mr. Mackenzie moves that this committee report immediately to the House recommending that the government immediately introduce legislation requiring severance pay of one week's wages for each year of employment for all employees to whom the Employment Standards Act and its regulations apply.

Mr. Renwick: I think it has to be a little tighter than that. Do the members mind if we just have a little exchange before we settle the wording of it?

Mr. Chairman: I wish someone would formally challenge the chair, too.

Mr. Mackenzie: (Inaudible) to do that for procedure, if you don't have to.

Mr. Martel: (Inaudible) you are wrong.

Mr. Chairman: That's hardly (inaudible) just for the record, as they say.

Mr. Martel: Then I will challenge the chair's ruling.

Mr. Chairman: The chair's ruling is that this motion of Mr. Mackenzie's is out of order.

Mr. Cureatz: Even as amended?

Mr. Chairman: Even as amended. It has been challenged.

All those upholding Mr. Martel? Eight.

Mr. Renwick: I would like to move an amendment, Mr. Chairman.

Mr. Chairman: An amendment to the motion? Yes.

Mr. Renwick: This is in an effort to be helpful, there is no magic in the words.

I would like to delete the word "legislation" and I would like to substitute for the word "legislation" these words, "an amendment to Bill 191, An Act to amend the Employment Standards Act." The first part of the resolution would then read, "That this committee report immediately to the House, recommending that the government immediately introduce an amendment to Bill 191, An Act to amend the Employment Standards Act."

Then I have a second amendment which would read as follows: "For those companies required to give notice of intended layoff and closing, a minimum severance pay of one week's wages for each year of employment." The whole of the resolution would then read, "That this committee report immediately to the House, recommending that the government immediately introduce an amendment to Bill

191, An Act to amend the Employment Standards Act, for those companies required to give notice of intended layoff and closing requiring a minimum severance pay of one week's wages for each year of employment."

Mr. Cureatz: I still do not feel that that ties in the obligation.

Mr. Renwick: If you could tie it in better, that is fine. I was a little bit worried about Graham's and you are a little bit worried about mine, but that is the intent of it, to tie it in.

Mr. O'Neil: Can we hear it again, please?

Mr. Chairman: Mr. White can re-read the amended motion.

Clerk of the committee: The amended motion would read: "That this committee report immediately to the House, recommending that the government immediately introduce an amendment to Bill 191, An Act to amend the Employment Standards Act 1974, for those companies required to give notice of intended layoff and closing requiring a minimum severance pay of one week's wages for each year of employment."

Mr. Cureatz: As required by the Employment Standards Act.

Mr. Renwick: I said that.

Mr. Cureatz: No, the first part refers to the amendment to the bill, it still does not refer to the compliance with the Employment Standards Act in the second part.

Mr. Renwick: I thought it did.

Mr. Cureatz: I say it does not.

Mr. Renwick: We could put it at the end.

Mr. Cureatz: Put it at the end, that is all right.

Mr. Renwick: All right, "by those companies required to give notice of intended layoff and closing requiring a minimum severance pay of one week's wages for each year of employment by those companies required to give notice of intended layoff."

Mr. Cureatz: It is my understanding you should say those companies required to give notice following the procedures of the Employment Standards Act.

Mr. Renwick: Mr. Chairman, if I might just make one comment. I take it that all that this will mean is, first of all, this report, unless I miss my guess, will not be debated in the assembly but when you introduce it, it will be so succinct that you will be able to read it, Mr. Chairman, every member who is in the House will hear it, and it is simply a clear signal by this committee to the minister that this committee thinks there should be this temporary remedial action taken. That is all it is and I

do not think it will disrupt the House. It may just achieve our purpose.

Mr. Chairman: Eight zip. Even if it disrupts the House, the chairman is just as happy as a clam to carry out his instructions.

Mr. O'Neil: I am sure you are going to remind us of that from time to time.

Motion, as amended, agreed to.

Mr. Chairman: We are adjourned until tomorrow, with the Essex International case study, following routine proceedings.

The committee adjourned at 10:17 p.m.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

MONDAY, DECEMBER 1, 1980

The committee resumed at 8:07 p.m. in room 151.

CONSIDERATION OF REPORT

Mr. Chairman: I will call the meeting to order. I do not like doing this without a representative from each of the caucuses, but in the interests of the time of everybody who is here I will do so. We are going to consider the report tonight.

Here is Mr. John Turner coming in. We have a proper quorum now.

The staff has prepared some material which we now have, entitled Select Committee on Plant Shutdowns and Employee Adjustment, with Rick Jennings' name at the bottom. I think that is not an unreasonable place for the committee to start talking about the report. Bob Mackenzie also has some comments, but what I would like to do--if this makes sense and best suits the time--is have the staff actively participate in the discussion tonight. It would be to everybody's benefit.

Mr. Mackenzie moves that this committee report immediately to the House, recommending that the government immediately introduce legislation requiring severance pay of one week's wages for each year of employment for all employees to whom the Employment Standards Act applies.

Mr. Mackenzie, will you--and anybody else on the committee--help me with this? We have exactly four members of the committee here, out of 12. A motion has been made. I am not sure the number of people here tonight is going to change very much.

Mr. Mackenzie: The only thing I can say on that point is that you have recognized a quorum and started the meeting. We had exactly one Tory here all afternoon--he changed half way through the afternoon--and not a hell of a lot of representation from other parties. If we are going to be stymied because people have not decided this committee is very important, then we are in real trouble.

Mr. Chairman: Do you wish to speak to your motion now? If you will bear with the chair, perhaps we can decide to deal with the motion later on this evening.

Mr. Mackenzie: The motion is very simple and straightforward. It is an interim recommendation for severance pay based on one week's pay for a year of service.

It is fairly clear, regardless of where one comes down in this committee, that apart from the lack of decision-making in this country, the only other parties who are really getting hurt

are the workers and the community. Amendments to the Employment Standards Act will be on the floor tomorrow and this is why I thought it important that we have a recommendation in on that item. It fits in very nicely with the package of amendments to Employment Standards Act. We could have it debated on the floor of the House.

In my judgement--and this, of course, will depend on this committee--this committee has heard enough to be able to make a recommendation that provides some relief for the workers who seem to be the only real victims of the plant closures in this province.

Mr. Chairman: You answered what was going to be my question about why this is in the form of a motion rather than just speaking to the report. Fine.

Mr. Mackenzie: It is a motion because it has to be a recommendation from this committee if it is to go into the House.

Mr. Chairman: I understand. Can we take it that the motion is there? There will be time, I hope, tonight to speak to it again. Most assuredly I am in your hands. We will vote on it if, as and when you ask for a vote on it.

Can we now revert to the other matter at hand, the form of the report we wish to make to the assembly next week? Let me just say that I wrote the government House leader requesting an opportunity to debate our report next week, and I specifically mentioned Tuesday, December 9. But Elie Martel is here. I suppose that when it finds its way into the House leaders' chamber, you guys will deal with that.

8:10 p.m.

Mr. Martel: We have a difficult problem. We have something like five reports on two Thursdays.

Mr. Chairman: That is why you House leaders are here, and why you earn extra pay, as the clerk reminds me. You just have to cope with that. You know the feeling of the committee as to the importance of our work and our deliberations, Mr. Martel, and on behalf of the committee I urge you, as one of the three House leaders, to get on with it.

Mr. Martel: I can assure you that just as soon as you present it we will fight and claw and scratch.

Mr. Chairman: I wanted to mention that so that we will receive confirmation when you and your colleagues have somehow dealt with that.

Mr. Martel: We will meet this Thursday and try to line up the rest of the business for as long as it is going to take.

Mr. Chairman: Can we now ask Mr. Jennings to comment on the work the staff has already done to assist us in our report? Please, feel free. We have been unusually formal since we started because we have had witnesses before us, but the more free

exchange of comment here the better in this kind of a meeting.

Mr. Jennings: This report is really a basis for what the interim report could contain. It covers those areas that will be covered in the report, along with an introduction, background and the case studies we have covered. Of course, we will add the ones we cover this week and some from next week. They have been discussed in summary form to cover the main points that came out, to show how the cases were different from one another and what was learned from them.

This is followed by discussions of the two legislative areas we have covered, the Employment Standards Act and the proposed amendments in Bill 191, and the impact of plant closings on pension plan problems. This is followed by any conclusions or recommendations that have been raised during the hearings we have held so far by witnesses and, in some cases, by members.

Basically it is a start. Some of the pension information discussed was received from the Pension Commission of Ontario and it has to do with the case studies they gave us about how pension plans are affected in the case of plant closings. Some of the information is from submissions which were made to the royal commission on the status of pensions in Ontario in areas that are relevant to the situations we are studying.

Mr. Mackenzie: Are we looking at both of these documents?

Mr. Jennings: The first is the introduction.

Mr. Mackenzie: The introduction?

Mr. Jennings: Yes.

Mr. Mackenzie: Admittedly, I just got them and I have given them a very quick perusal, or, if I got them before I have not looked at them before--either one.

One of the things that came through loud and clear to me, and I think also to most people on this committee, in all the cases before us--with the possible exception of Heintzman, which I am not sure was the best example--was that the decisions that were made in almost every case were made outside of this country and with minimal input from the Canadian management of any of the plants.

I look for that as one of the first things. Have I missed it somewhere? That is pathfinding, as I see it. That is something that has come through. How do we address it? It seems to me that it absolutely has to be in an interim report. Otherwise, if that is not a consensus, I have heard things differently to everybody else on the committee.

Mr. Jennings: The case studies I have done so far do address those areas. If you look at that, I have given the main reason for the shutdown, but there is much more detail later.

For instance, the first case is Armstrong Cork. The reason

for shutdown: "The Canadian operation was closed ultimately because the US parent had alternative investments with higher expected returns."

I think the SKF situation was related to tariffs. That was their main argument.

Mr. Mackenzie: The exception in the SKF case--certainly, looking at the arguments we had here with the company and looking at the union's presentation, we can make a stronger case for whether or not there was a systematic removal of bearing lines in that plant. It was not just the tariffs that did it, but a conscious decision over the past two or three years to shut down that plant, to take out the profitable lines, leading to the shutdown of manufacturing operations at least.

I do not argue now that I see what you have done. I admit I have not had a chance to read through this. But we are going to have to address that area, which was common all the way through, in one specific part or section. I am new at drafting reports, but I just wanted to make that point to the committee.

Mr. Jennings: Yes. We certainly can discuss what should be highlighted. This is a starting point. For instance, for Outboard Marine, again I took out the reason for the shutdown: "The rationalization of production led to the shift of jobs from Peterborough to the United States."

The areas where that was not the situation--for instance, Steep Rock, of course, did not have that situation directly, but you could argue the fact that Canadian companies invested in American operations as far as securing contracts for iron ore was concerned.

Mr. Chairman: I am sorry, I had to step out for a second. I just went up to the Conservative whip's office to share the fact with him that there was not a single Conservative member here. But it is okay: He was not in either.

I am just catching the flavour of the problem and I do not want to be presumptuous, especially since I missed a bit of it, but, as I see it, if I can just think out loud, there are a number of things, categories or topics we might try to cover.

I am a great believer that we should attempt by way of introduction to remind those colleagues of ours in the assembly of the nature of the motion that set us up as a committee, just as a refresher. Then we could tell them who we saw and what we learned. I would like to come back to that because that is what Rick's work does here. Then we can make some observations from what we learned and some very specific recommendations. Then I personally would like to see at some point in our report a clear message about what the hell we intend to do come January and February, so that everybody knows.

The problem I see here--and I do not have an answer to it--is that we have a summary of the case studies before us. I am confident that it is just that: It is a summary; it is not an

attempt to explain. It is practically an impossible assignment for Rick or any consultant to ask him not to make some kind of interpretation of the words. But we have this and we can, as a committee, look this over between now and the day we finalize it. We will have an opportunity to speak to the specific changes that we would like to make to his summary.

If we can treat the summary portion as just that, amend it, change it and speak to it when we have all read it, maybe we might be better off tonight to try to get to some of the recommendations. We have one now in the form of this motion. Do you think that is a better way to proceed? I do not want to take anything away from Rick Jennings, but I do think that going through a summary of the case studies we have had before us might not be the most productive use of tonight.

Mr. O'Neil: I thought we agreed the other day that when we met we were going to get some background as to what has taken place before the committee. Since we have not completed our hearings, I took it that we were not going to make recommendations at this time. Am I wrong about that?

Mr. Mackenzie: It was my impression that the interim report--and the direction and arguments used--would be sort of a pathfinder report, an expression I pass on that Jim Renwick used at the last meeting. It would lay out some of the things we have found and that, obviously, is going to set some of the directions.

That is all I am saying in this particular matter. If it has not become clear that the decisions are being made outside of the country, then I have been sleeping--at least in the cases we have had before us.

Mr. O'Neil: It was your recommendation the other day that this meeting deal more or less with what had happened before the committee, but that we not make any recommendations because we are not finished sitting.

8:20 p.m.

Mr. Mackenzie: I said we are not going to make any recommendations as to how we are going to resolve them all. The recommendation on the severance pay is one specific interim recommendation because we will be debating a bill tomorrow that deals with exactly that. As to the much broader and more serious issues, I quite frankly see notice and severance as important, but to me they are well down the list.

The problem we really have to address is what is happening with plant closures per se: how the decisions are being made and why and what is happening to Canadian workers. I see the important recommendations as being much broader than just notification or severance. Those are all useful recommendations, but almost Band-Aid recommendations if you want the truth, in my opinion.

Mr. Chairman: Is it a fair question--because I have some difficulty with this myself--to ask what kind of recommendations in the broader sense you see this committee making?

Mr. Mackenzie: There are probably going to be a lot of good discussions and arguments over that. My colleagues may have a different approach, but I personally would like to see us at least set in the interim report the direction of the things we have to take on. One of the things we obviously have to take on is the decision-making process and the fact that it is not done in this country. I do not yet have recommendations for that; I have some ideas but I do not have specific answers or recommendations.

Mr. O'Neil: We have to be very careful, before we have heard from some of these other groups and people we intend to hear from, that we do not start making recommendations before we finalize these hearings. There may be other evidence that will come up during the month of January that may help to change or strengthen certain feelings we have. We have to be very careful when we put out this interim report that we do not jeopardize a position we may take farther down the line.

Mr. Martel: There are going to be two different types of recommendations. The simple ones are those Bob Mackenzie alludes to, in a sense--severance pay, pensions, whether you have vesting after five years, 10 years or 15 years. Those are going to be the easy ones to get agreement on.

Mr. Chairman: I see that as the employee adjustment half of what we are doing.

Mr. Martel: The real problem will be in the overall set of recommendations with respect to some of the major questions of the long-term implications: Are we going to direct business? How do you protect the workers in terms of protecting their jobs, retraining and so on? Those are going to be somewhat more difficult to get agreement on because of our different philosophies and what we believe to be the solutions to the problems.

The easy ones can be dealt with relatively quickly. The other ones are going to take somewhat more discussion, I would think.

Mr. Renwick: Could I speak to the point Hugh O'Neil raised and ask him to consider this? Without pretending everybody knows how the future is going to unfold, let me assume that, at the very earliest, legislation could be passed at the end of June. Let me also assume that, at the latest, it would take until next fall or next spring--a year from now--before legislation is in place about the post-shutdown money matters; that is, pensions, severance, notice, all of that kind of thing.

What impinges on my mind is that this committee was created out of a sense of urgency. If--and I emphasize this--when we come to our conclusions, we can see that there are some immediate and, if you want to call them this, temporary or temporary interim things that can be done that will protect people who are laid off any time after January 1, 1981, until such time as the assembly and the government in all of its processes actually comes up with clear recommendations, perhaps we should recommend them now.

I would place my colleague's motion tonight on the question of severance in that category. It is obviously lacking at the present time. If we do not move on that question before the House rises, people are going to get laid off and they are not going to get this kind of protection.

Therefore, the kind of recommendations we can make are those which are seen by us to be urgent, and they must be qualified as temporary until further work is done, either by this committee or by the government. That would be fine with me. But I do make that distinction. I would not want to rule out my colleague's motion tonight or other things that could be done immediately. I just wanted to speak to Mr. O'Neil on that particular point and tell him how my mind is thinking about it.

Mr. Chairman: Mr. O'Neil, do you want to respond to that?

Mr. O'Neil: Not yet.

Mr. Chairman: Okay. Take your time.

Mr. Renwick: Mr. Chairman, I would like to throw in a few other things, not in the formal sense of speaking but to generate some discussion about where we are going.

I do not care how we go about it, basically. I guess each of us has his preferences one way or another. Let me say that I think one of the things we must do--and I am not talking about whether it is in the introduction or in the body or at the end of the report--is agree on the delimitation of the area of concern, both with respect to the succinct phraseology that was used in the resolution appointing us and with respect to the area we have looked at; namely, the specific cases with which we have dealt.

I think we should point out to the assembly how we went about this initial work of ours, so that the delimitation of the world to which we are addressing ourselves is very clear. I think that is possible, and it is relatively simple to do.

I have a sense that everybody heard the same thing. I do not think anybody heard something different in the evidence that was put in front of us. I do not mean there may not be disagreement on minutiae, but everybody heard the same thing from Armstrong, et cetera. I am not saying they all gave us the same thing, but the perceptions of the members of the committee, I think, are identical.

Where we are going to differ is in the conclusions we draw or the recommendations we are prepared to make. For example, one of the things I think we have to address is this monopoly that a conglomerate or a corporation believes it has with respect to the decision to shut down. That is a monopoly. They want to protect that monopoly, quite obviously. Now that came through clearly to me.

The second thing that came through clearly to me is that, with the best will in the world and with the most powerful unions that are available to protect the collectivity of working people

in Ontario in the face of that monopolistic exercise of corporate power, the unions themselves are powerless. All they can do when faced with that, in the scramble of time that is available, is get the best deal they can for the members of their union. Then the plant shuts down, the local of the union disappears, the people who were members of the union cease to be members of the union, and that is what happens.

8:30 p.m.

What seems to me to be clear, if the way it has come through to me is correct, is that then what we have to ask ourselves is is there not in that situation--that is, where the power of decision and the dictation of the consequences is in the hands of the corporation or the conglomerate, whatever you want to call it--in our case, most of them were conglomerates. The effect of that is that the unions, even the powerful ones--the Steelworkers, the Automobile Workers--are powerless to do anything about it, other than to scramble at the end to get the best deal they can. Then, as I said, the particular local in that particular plant ceases to exist. In many cases, the members of that local cease to be members of the union because they get work elsewhere or whatever it may be. That seems to me to be very clear.

It also seems to me to open the very broad question: Are we prepared to recommend that, as a matter of public policy in Ontario, government policy in Ontario, there is a role for government in that kind of a situation, not a role it could fulfil if it chose to do so but a role it must fulfil in the kind of society we have?

That is at least the first part of the ruminations I have had about the broad conclusions we can draw from the cases we have heard, setting aside for the moment the Heintzman case, which is a specifically different kind of situation, not so much on the monopoly question, but because of the fact that it ultimately went into bankruptcy or receivership.

Mr. O'Neil: I wonder if I could hear Mr. Mackenzie's motion again?

Clerk of the Committee: Mr. Mackenzie moves that this committee immediately report to the House, recommending that the government immediately introduce legislation requiring severance pay of one week's wages for each year of employment.

Mr. O'Neil: This is because of the bill being discussed tomorrow. Is that correct?

Mr. Mackenzie: The argument and rationale are obvious. The one group of people that is pretty well defenceless in all of this is the workers. There is a bill being debated tomorrow on amendments to the Employment Standards Act, and it seemed to me to be appropriate that we move in this area to provide some protection for those involved, and that we do so very quickly.

That would not replace the interim report. That would be an immediate report from the committee to the House.

Mr. O'Neil: I think our members would support that.

Mr. Chairman: I am in the hands of the committee as to at what time and at what point we deal with it. I understand the message very clearly.

Mr. Mackenzie: Well, it is a specific, separate motion, so I think we might as well deal with it now, Mr. Chairman, unless you can get your whip to act.

Mr. Chairman: Maybe the committee would just bear with me for another little while.

Mr. Mackenzie: Okay.

Mr. Martel: Mr. Chairman, let me take up where my colleague left off. I think anything we decide in the broad term cannot just be based on today's decision; in other words, if one looks at Outboard Marine, it is not its decision to close down yesterday that is the sole thing we should be looking at. It seems to me we have to go back and pick up the threads, whether it be Outboard Marine or SKF, as to how they systematically destroy the ability of the company to continue operating here.

If you take Peterborough--and I do not have to go over all the details--the fact that a decision to stop producing parts was made a number of years ago determines what the plant is going to do now. It is not going to produce parts here. It is going to produce them all in the United States. It is expanding its operation in the United States. It seems pretty obvious to me that it is waiting for the day the tariffs disappear. Then what you have is a company that is able to use Ontario or Canada as the end run. It just adds on a few more units coming out of the United States and simply uses Peterborough as a place from which to sell; in other words, it will just be merchandising the product here.

It seems to me that SKF is the same. It very deliberately, a number of years ago, set out to reduce product lines. They gave a variety of reasons, but I think behind those reasons they were rationalizing how they would eventually be able to produce to meet the Canadian market without having to have anything more than a warehousing operation in Canada.

When we start picking up the pieces, we cannot simply look at the decision to close down the plant today, based on the operation that is there now. We must look at how they systematically eroded their capacity to produce to the point where it was no longer viable to produce in Canada--or no longer advantageous. Let's put it that way. I am not sure "viable" is the right word. I suspect "advantageous" is better. Then they decide to ship in from Lisbon.

The same even applies, if one takes it to its logical conclusion, to Steep Rock, which made some decisions on where its parent company was going to invest six years ago, and that was to buy into mines in Michigan or Minnesota--one of the two; it does not really matter where. Again, a decision was made then which ultimately led to today's decision to shut down.

I am not particularly happy with these types of operations without any research and development in Canada, with nothing to make it a viable corporation that can continue to produce. I just think it is very systematic and very carefully done, and it is done over a number of years.

When we look at recommendations, we have to find out a number of things.

I guess that is why I have reached the conclusion--and maybe my friend does not agree that conclusions can be reached already--that Band-Aids really are not going to resolve our problem.

I see a man of 57 laid off. A year's severance pay is not going to do a hell of a lot for him when he cannot even afford to pay the rent thereafter.

I see a small pension. They deduct from that because they are taking it sooner. In the case of SKF, it has a pension for 30 years' service of, I think, \$229 minus six per cent a year for five years--a 30 per cent reduction. That worker has a \$150 pension. None of us in this Legislature could live on \$150 pension, and the same applies out there.

In framing our recommendations, my advice is to go well beyond the Band-Aids. The irony of it, if you look at SKF, is that it is moving right into jurisdictions where the legislation is much tougher than it is in Ontario. Where those corporations are locating, governments are making pretty substantial demands on them. What the corporations here are doing is fleeing the very area where we make no demands on them and going to jurisdictions where there are tremendous demands made, not only in terms of short-term solutions but, in fact, long-term solutions.

8:40 p.m.

SKF in Sweden, I am sure, cannot shut the door and walk away without having invested some money all along the line for some sort of fund which, it is hoped, can open up another operation. If that applied in Peterborough, I guess people would not be so concerned if these people moved out, provided there was some funding in the bank which could establish another industry to pick up the slack.

Mr. Turner: There was in one division of that.

Mr. Martel: Yes, right, but if one looks at Atikokan, for example, they have been successful with their search committee. They found a few jobs with Ontario Hydro which, when completed, will be very few jobs. I think they got a bakery which provided 10 jobs. There was something like 1,600 workers in total thrown out of work over the last couple of years. It might be difficult to find employment in Toronto, but in a community like that it is totally impossible. It is just out of the question.

The other thing we have to look at is what it does to a community. We talk about the workers, but what it does to a

community of that nature also has to be in those long-term solutions to the problems. As someone has said a couple of times already, some of them are going to be much easier to grapple with. I think those are the Band-Aid type, the short-term solutions. The long-term ones, I suspect, are going to be much more difficult to get a real handle on.

Mr. Chairman: Can I just come in here? There are three members of the committee--Mr. Eakins, Mr. O'Neil and Mr. Miller--who wish to comment on this.

Mr. Turner: I would like to say something too, Mr. Chairman, when you get around to me.

Mr. Chairman: And Mr. Turner. The staff may be well ahead of me, but on the employee adjustment aspect--as it has been called here tonight, the Band-Aid aspect--of what this committee might recommend, severance, pension changes, vesting or whatever, I think people have a reasonable handle on where we might go. There is a fairly predictable package of things we could come up with.

As to the other, the broader, more important aspects, what Mr. Martel and Mr. Mackenzie are getting at, I am at sea without something specific. Nobody is asking anybody to show his cards necessarily, but I do not know where the hell you are going to go. I also do not know how we can ask the staff to go ahead.

Let's get at it.

Mr. Martel: I have no concern about saying, for example, that one of the things I want to see in a report is that companies have to put the books on the table; they have to justify their rationale. I set out the scenario of how they systematically dismantle themselves. If that is what we discover, the answer is, "No, you do not shut the door."

Mr. Chairman: That is the sort of thing I think we would all benefit most by tonight, no matter who makes those kinds of recommendations or different and broader recommendations. We need that.

Mr. Martel: I do not think we need any other type of recommendation. I speak for myself. I suppose I have some idea of where my two colleagues will go on that, but I certainly cannot see us ignoring that sort of recommendation in a report.

Mr. Chairman: You are suggesting some form of a recommendation that speaks to the justification aspect of a closure and access to the corporate books.

Mr. Mackenzie: Mr. Chairman, we are not saying all of that has to go into the interim or first report. I think you set the guidelines when you said it should cover what we found, such as the fact that there are problems with the decision-making.

I do not disagree with my colleague, but that is an argument we should have before we try to draft a final report, because we

are getting pretty specific when you get down to those things. Further to that, I think we need input from the umbrella groups that we will be seeing over the next two or three months.

Mr. Chairman: Now I understand it better. We may speak about those kinds of suggestions in a broad sense, making sure it is understood that our report is interim.

Mr. Mackenzie: What we have found is these problems which will lead us into at least discussing those broader issues.

Mr. Martel: What might help the entire committee is if the staff could put together, one after another, the problems we have discovered; not the companies per se, but the types of problems.

For example, what we think about the committees that have been formed. Just highlight it; that is, despite the fact that these committees are being formed, most of the information we have garnered is that those committees have not been successful. We might have to grapple with how we improve or strengthen those committees, or make recommendations about how to strengthen those committees, so that they are meaningful in finding alternative employment or training.

If the staff could keep track of the various problems as we go along--I am sure they probably have some of that done already.

Mr. Jennings: Let me say that the last three pages of this report contain all the conclusions and recommendations that were raised during the hearings. It is not exactly what you are referring to, but the last three pages contain what was raised during the hearings, both by people appearing before us and by some of the members.

Mr. Eakins: Mr. Chairman, I was just going to comment that, while I think employee adjustment is most important and measures have to be in place, it is really an after-the-fact consequence of the plant's closing. In my mind the important things are why did they close, what can we do to prevent it and, particularly, are there government policies which perhaps have contributed to this in one way or another.

I think we have to consider that as an all-over important part of government policies. Are there policies which have been taken for granted, or are there policies which perhaps have contributed to this? I really do not know, but I think it is an area that the committee should look at because I think it is a very important part of the committee's work.

I do not think we should just be dealing with something after it has happened, because it is too late then. While it is important to make sure employees are well protected, I think we have to look into this other aspect and also take a very serious look at the effects upon the community when a plant closes.

Mr. O'Neil: I would just like to say something briefly about another point that I think has been made. Pensions are a

right, not a privilege; in other words, they are a right and not a privilege.

Mr. G. I. Miller: Mr. Chairman, I have not had the opportunity to sit in on the committee but I have seen the effects of plant closings in my riding, particularly with the shutdown of Essex International in Dunnville which was making electrical harness for the automobile trade. At the time of the closing there seemed to be lots of work to do, but because it was an American plant they made the decisions. It is creating much hardship, to say the least.

Another case we had was in Simcoe where Cannors Machinery was bought-off by Del Monte, taken over by it, but that plant was taken over by the employees themselves and is going again, and going quite successfully.

I wonder, from the presentations that have been made, if anybody has made a pitch on behalf of the possibility of the employees taking over the plants that are closing. Secondly, have we defined what share of the market we are getting? Maybe we could put pressure on the federal government to make sure we are getting a fair share of the market.

We brought Firestone before the resources development committee--it closed in Whitby--and it came up clearly at that time that Firestone was moving to Hamilton. The markets were not there, which they used to justify the closing, but it turned out that we are getting tires on imported cars, already stocked, that are taking part of our market.

8:50 p.m.

Getting back to Essex, which was making wire harness for the cars in the St. Thomas Ford plant, it came out clearly that the Japanese were providing that harness and taking away from our Canadian content.

I think that may be an area where we have to determine what the market is and try to achieve it, even if it means encouraging employees to have a share in the business and going in that direction.

Possibly these areas have been explored. I do not how fully they have been discussed; I am not sure. I think that is an area we should look at.

Management still has to make decisions. Corporate decisions have to be made and they have to be left in management's hands, but employees have to be concerned for their own future and they have a role to play.

Mr. Chairman: I cannot answer all of your points, but some of them have been discussed. In a peripheral way the question of the former Pioneer chain saw division of Outboard Marine in Peterborough was discussed--in passing actually, not in detail--last week. There were two other instances, the Lindsay division of Armstrong Cork and Heintzman, where we had two

companies--or a division in one case and a company in the other case--that were for sale for some time.

Mr. G. I. Miller: They had been for sale?

Mr. Chairman: Yes. To what extent the employees actively looked at those plants, I cannot comment. I can recall an exchange with one of the union people about that in the case of Heintzman, but I do not think the purchase was actively considered by the employees there.

I stand to be corrected, but with the five witnesses we had before us we did not look at that in any great detail. But there were two--one company and the Lindsay division of Armstrong Cork--that were for sale, for what it is worth. I do not think that had been a secret in either case, not for the last number of months anyway. That specific aspect, employee takeovers, was not looked at by this committee with a witness in any detail--or it has not been yet.

Mr. G. I. Miller: Have you looked at the American situation, where they are having a similar problem and how they are approaching it?

Mr. Chairman: Employee takeovers or just closings?

Mr. G. I. Miller: Closings and employee takeovers.

Mr. Chairman: Not in a direct way. Much of our time to date has been spent--

Mr. G. I. Miller: Listening?

Mr. Chairman: Exactly. I think in the background material that has been provided there has been ample evidence of jurisdictions in the northeastern states speaking to similar problems with committees in the States--not unlike ours, I guess--trying to cope with them, and some recommendations they have suggested.

Very simply, what we have done to date is look at some specific case studies. This is the first opportunity we have had without witnesses before the committee, except for the very first day, the startup day.

Mr. O'Neil: I think the staff here tonight is looking for some direction as to how we want this prepared.

Mr. Chairman: I agree.

Mr. O'Neil: I think maybe we are straying. Maybe the staff should tell us what is it it wants.

Mr. Chairman: I think that is good. The staff has heard some general discussion. Perhaps they could ask us some more questions or tell us if they think they have a feel for it. But can we just hear from Mr. Turner first?

Mr. Turner: Mr. Chairman, first of all, let me state very clearly--and I am going to argue this both ways to some extent--that I am not opposed to this motion; however, I do think it is premature in many respects. I think it is a Band-Aid solution to a problem, as it has already been described, and it is not going to solve a damned thing except postpone the evil day when the final decision is made and somebody runs out of money.

I have a letter on my desk that I think the committee would find most interesting. I did not have a chance to read it through because I hurried back. It is from an individual who is employed by a rather small, privately-owned company, complaining bitterly--I do not want this to be taken as partisan in any way--about what he sees as the problems of doing business in Canada and in Ontario, particularly in the light of today's conditions, having regard to the latest federal budget, having regard to offshore competition, et cetera.

I hear my friends opposite talking in terms of conglomerates, multinationals and so on, and I think somebody said that he could understand the Heintzman case but he was not particularly interested in the Heintzman case because it is in receivership.

That is where I have a very serious reservation. I think if you take a look at this province of ours, about 50 per cent of the total manufacturing in Canada is carried on in this area. I think 80 per cent of the total market is within a 100-mile radius of where we sit, and it is a pretty limited and a pretty small market, a very fragile market. It is a market that is serviced not only by the multinationals but by a lot of small one-man or two-man--whatever--operations.

This motion indicates a level of concern with which, as I said, I am sympathetic, but I think, with all respect, that we are jumping into something without taking a look at some of the problems that may be created.

I will not say this disrespectfully--well, I will not say it.

What I would like the members of the committee to do is to reflect and take a look at, give consideration to, the smaller businesses that are having one dickens of a time right now. I can tell you that quite honestly and quite factually. While these smaller businesses individually do not make up huge payrolls, collectively they do. They represent by far the larger working force in industry in Canada.

I have very serious doubts and thoughts in my mind, and I would like the opportunity to discuss further and to give some further consideration to the effect this is going to have on those small businesses. Most of them are in a very highly competitive type of business. For the most part they are in direct competition with the so-called conglomerates or multinationals. In actual fact, in some cases work is subcontracted out from the larger organizations to the smaller organizations--for many reasons, but mostly because they can think they can produce it more cheaply than the larger company.

Having said all that, I would again ask the committee to delay its decision on this, maybe have further discussion. Certainly I think we need further evidence. We have only had one privately-owned company or business represented before this committee, yet what happened to that organization is being passed off rather lightly. I think that organization, that company, that type of business, represents to a very large degree the business backbone of this country, and I think we are going to have to give very serious consideration to the effects.

While this may not seem like very much, it can add to the cost of doing business where a company or an organization or an individual or a group of individuals is treading a very fine line between continuing to operate and not continuing to operate. I suggest with all respect that a lot of them could probably make more money if they sold their stamp collections--if they have stamp collections. I just have some very serious doubts.

Mr. Renwick: Mr. Chairman, I would like to reply to John Turner. I would not want him to misunderstand the import of what my colleague is saying. We have been in the committee and we have dealt with certain specific instances that have come before us with respect to this problem.

9 p.m.

One of the first things I tried to say this evening was that we have to delimit the area within which we are working. We cannot cover the whole waterfront. We cannot redo the negotiations for the General Agreement on Tariffs and Trade. We cannot redo the work of the royal commission on pensions. We cannot do all of those things.

What we have is an urgent problem. What we have is very real evidence that people have been laid off by reason of plant shutdowns, either permanently or temporarily.

Mr. Turner: In some cases.

Mr. Renwick: The ones we have had in front of us.

Mr. Turner: Yes, but there have been a lot, a significant number, who have been laid off because plants have been placed in receivership.

Mr. Renwick: All right. Let me come to the receivership-bankruptcy part of it.

I am talking about ongoing organizations which will continue to exist but which have shut down their plants, the kinds of organizations whose shutdowns have led to the introduction of the notice provisions in the Employment Standards Act. I am thinking of the aftermath of Dunlop in 1971 in Riverdale.

What my colleague is saying is that if we delay on the severance pay issue for that type of organization, it will mean that none of the people who are already laid off will benefit from it, and nobody, for at least six months and probably a year, will

benefit from any law being passed. More people are going to get hurt.

It is a Band-Aid only in the sense of the overall problem of discharged workers. It is not a Band-Aid for the worker who might be laid off on January 2, 1981, assuming we pass this legislation before the end of December and it receives royal assent. It is not a Band-Aid. It is better than nothing, if he has been there for 12 years, to get severance pay.

Mr. Turner: Anything is better than nothing.

Mr. Renwick: That's right. Therefore, what I am saying is that we have an urgent problem and, in our judgement, an emergency temporary measure by the assembly is called for, provided it is properly delimited. That is what we are talking about.

We had that delegation this afternoon, when Geoffrey Hale put his position. We carefully understood the position he was putting. But I do not think for one single moment that the equivalent corporation--such as SKF, such as Steep Rock, such as Armstrong, such as the ones from whom we are likely going to hear--should not have a legal obligation to pay a minimum amount of severance pay.

Mr. O'Neil: Are you saying that Mr. Mackenzie's motion should be restricted to certain sizes of operation?

Mr. Renwick: It is within the framework of the work the committee has done.

Mr. Turner: How are you going to say that?

Mr. Eakins: How are you going to spell it out?

Mr. Renwick: How are we going to say it? I have no particular problem with that. I am quite certain lots of people can spell it out. The same companies that are now required to give the notice would also be required to provide for the severance pay. There are tests that can be put in there that will act.

I am saying it is a temporary and an emergency measure. I am not saying it cannot be improved, but with the skills in the government offices there would be no problem in delimiting the area within which that immediate severance operation will work. I think we can do that.

Mr. Turner: Then let's take a few minutes and talk about that aspect of it, because that is where I have my very serious reservations, to be quite honest with you.

Mr. Renwick: I wanted to deal with the other aspect. You mentioned Heintzman and those companies that go into bankruptcy and so on. The only problem in there about severance is whether it comes ahead of the banks or after the banks. At the present time, it comes after the banks. All we have to do is persuade our friends in Ottawa to put it in the Bankruptcy Act ahead of the

banks, ahead of the secured creditors.

Mr. Turner: That may be more easily said than done. That is something that has been talked about for many years, as you know.

Mr. Renwick: I want to make the distinction between the kinds of companies we have been dealing with, apart from Heintzman, which are going to be ongoing, wealthy corporations.

Mr. O'Neil: Rather than the small businesses.

Mr. Renwick: Yes, and I am not talking about imposing it on a small business, nor do we have any authority with respect to those who go bankrupt.

The bankruptcy question is very simple. They will kick like steers, but they will not let them in on a preferred basis ahead of the secured creditors.

Mr. Turner: That's right.

Mr. Renwick: They will give them a priority ahead of the B stock common shareholder. It would be like the priority that is often extended to people by Bell. But that is another story. I will not tell it.

All I am saying is that the kinds of areas we are talking about are those that have been illustrated by the companies which have come before us--apart from Heintzman, which was a special instance.

Mr. Turner: I realize what you are saying. It is just that I have not heard anybody say what this is going to be limited to or not limited to, whether it is going to be wide open or not.

Mr. Renwick: The examples we have had over the years are, very simply, Inco, Firestone, Dunlop, MacMillan Bloedel, the ones that have come before us and the ones with which every member of the assembly has some acquaintance; the corporations that continue to operate in Ontario, that continue to make money in Ontario. Those organizations should be the ones required to provide the severance pay my colleague is talking about.

I do not pretend to have any instant solutions, but one instant solution would be to do it in relation to the same companies that are required to give notice to the Minister of Labour about layoffs. That immediately limits the companies required to deal with it. There could be other tests and I am quite certain the lawyers in the Ministry of Labour and elsewhere can think up the necessary distinctions. I am sure Sam Cureatz could be most helpful in that area.

Mr. Cureatz: I am sorry, just having come from the general government committee, I have not quite got the thread of the conversation.

Mr. Turner: Stick around and you will.

Mr. Cureatz: I am.

Mr. Eakins: Mr. Chairman, I think the resolution will have to be spelled out a little more clearly. It is fine to say we are applying it to the plant closings that are under discussion, but there is nothing in the resolution to state that. It is going to have to be spelled out a little more clearly. The way it reads, any small businessman could be affected. If it is going to be applied to plant closings of 100 employees or more--whatever it is--I think it has to be spelled out a little more clearly in the resolution.

Mr. Chairman: I think an amendment to that effect would be appropriate, if the committee wishes to do so.

Mr. Turner: If I may go a little bit further with the clarification and use the company with which I am superficially--

Mr. Martel: The owner?

Mr. Turner: No, no--with which I am conversant. It was used as an example.

It was interesting to hear the rationale, but I am sure that was not the rationale that was applied to that particular organization in divesting itself of various product lines. It was and it still is in very serious shape. It has to consolidate and consolidate very quickly because of offshore competition.

Mr. Martel: You are not talking about Outboard Marine?

Mr. Turner: Yes.

Mr. Martel: I think Outboard Marine is a setup.

Mr. Turner: I do not, having regard to what we heard, and that is all I can base it on. I do not know any of the inside workings of the company.

Mr. Martel: Then you and I heard two different stories.

Mr. Turner: No. Both of us listened very carefully.

Mr. Martel: I listened very carefully.

Mr. Turner: Let's go right through the line, if you want. They invested very heavily in a snowmobile product that was not marketable.

Mr. Martel: No. That is not the point I am making. The company totally went out of the snowmobile aspect of the business.

Mr. Turner: That's right.

Mr. Martel: It was not just in Ontario. They just wiped out snowmobiles all over.

Mr. Turner: Exactly. That is the point I am making.

Mr. Martel: But certainly with the Pioneer chain saw, with the outboard motor, with Lawn-Boy, they are simply retrenching now in the United States.

Mr. Turner: No. The Pioneer chain saw remains here as a separate entity.

Mr. Martel: They sold out here. But a decision brought that company down in terms of what it could produce, and it is strange that another company could take it over and make it work.

9:10 p.m.

Mr. Turner: I had the benefit of looking at it very closely, much more closely than this committee so far has looked at any operation.

Mr. Martel: But sometimes you can't see the forest for the trees.

Mr. Turner: We hired a very knowledgeable fellow to do some work in that regard. Some interesting facts emerged. In actual fact, if I remember correctly, they never did enjoy any market penetration to speak of, in relation to the market that was identified.

Mr. Martel: They did not try.

Mr. Turner: Look, they have all the expertise. I am not sure that is a fair statement.

Mr. Martel: They admitted categorically that they were not attempting to compete in the world market.

Mr. Turner: I am just using that as an example.

Mr. Cureatz: I am missing the point about this company as opposed to the recommendation.

Mr. Turner: The size, I guess, is what bothers me.

Mr. Martel: Let's take a look at it for a moment. Let me pick up on the point I wanted to make when I originally put my hand up, Mr. Chairman, then I will come back to this.

Mr. Chairman: Well, can I ask you to dispose of the Outboard Marine exchange and then make your point?

Mr. Martel: I just wanted to say on that point that we were looking at two different sorts of operation when John was expressing his concern.

One of the large firms that came into Ontario to service a small market and escape over the tariff wall is Outboard Marine. They admitted to us quite categorically that they did not really try to grab any of the world market. They said they sometimes filled contracts for sister plants. That is something that multinationals who have jumped into Canada to avoid the tariff

have done over and over again. They get in here to satisfy a market. They do not even attempt to grab part of the world market. They admitted that.

You will have to agree they also admitted they produced 50 per cent of the 300 parts for Lawn-Boy. A decision was made in the United States to stop producing those parts here. The same thing applied to their outboard motors when they were producing a major chunk of those parts. They decided not to do it.

Mr. Turner: But why? Nobody delved into that.

Mr. Mackenzie: It is an opportunity for the US plants (inaudible).

Mr. Martel: You see, the intriguing part of those corporations--

Mr. Chairman: Just to help everybody and particularly the staff, I do not want to overdo this but I really think it is important that we get to the point where both Martha Fletcher and Rick Jennings get some direction.

Finish the Outboard Marine thing. Everybody has a different view of the cases before us. Please, Mr. Martel, make your point, which I believe to be a new point, and then we can ask the consultants whether they need additional guidance from us.

Mr. Martel: I was responding to my friend at your request, and now you have cut me off.

Mr. Turner: It will go on forever, Elie.

Mr. Chairman: No, I am not trying to do that. It is just that I do not think we would resolve the Outboard Marine dispute if all of the evening were devoted to it.

Mr. Martel: I am saying that it is, in fact, the type of multinational--that is why I said in my earlier remarks that we should go back 10 years to see what these companies do before we reach a decision which cuts things off.

Mr. O'Neil: Are we dealing with this motion, or are we going to decide what direction we want the staff to take?

Mr. Chairman: The motion is stood down for the moment. I think with the agreement of the committee and if it is appropriate now--

Mr. Martel: The only point I wanted to make and why I put my name on the list was that John Turner expressed some concern about the small Canadian operation. We have to look at this in two distinct parts. I think my colleague explained that pretty carefully. We are talking about the ongoing operation which is going to function somewhere else to serve this market.

Mr. Turner: That is not identified in the motion.

more sensitive to small business from a political standpoint than they were a number of years ago.

The problem with the banks traditionally is that they do not have enough competent commercial lenders to go around. A competent commercial lender is better able to understand the risks involved in lending to a particular business and to evaluate them in light of the potential return, the security of the loan and so on.

If a banker--and this is frequently the case in most full-service branches--has 35 or 40 different bank programs, from small business loans under the Small Loans Act at one end of the scale to car loans in the middle and personal loans at the other end, small businesses are just one fortieth of his particular work load.

While the small businesses that come into the branch may be more than two and a half per cent of the branch's entire client load, the banker rarely has the opportunity to get to know those customers and to get to know enough about their businesses and about the business of commercial banking in general to make the sort of informed judgement that a professional financial manager should be able to make for a valued client.

Larger firms generally get people who are more experienced in the system. Because the parent company is a valued client, you do not fool around with junior when he comes in the door.

5 p.m.

Mr. Chairman: I understand that. One could read page seven of your submission and feel that the relationship between Canadian small businesses and the banks was at a crisis level. In the middle of that page, you say: "As noted earlier, of the 26 Canadian-owned firms which laid off between 25 and 100 employees in the first nine months of 1980, 15"--more than half--"closed down their operations completely. Most of these closures were involuntary, as banks and other creditors forced these companies into receivership."

That is pretty strong. I wonder if you could, without reference to your submission, elaborate on that a bit.

Mr. Hale: I was just working from the material submitted to this committee by the Minister of Labour. When I used the word "forced," the context was that this is not an optional bankruptcy: The company is not picking up and moving its operations elsewhere, which is something some companies appearing before this committee have been taxed about.

The companies in question had a smaller range of options when it came to evaluating their economic future. They did not have the option of picking up and moving to another site. In some cases, there was the option of consolidating two companies within Ontario. As I recall, one of those was Northern Telecom and that is not exactly a small business.

The general point, without casting the banks as the villain

of the piece, is that the small- or medium-sized, independently-owned Canadian business tends to have fewer options when it comes down to the question of survival or collapse. If it cannot find outside financing or significantly reorganize its operations, either it has to close down voluntarily or, more often, it tends to be closed down by creditors. Most entrepreneurs have worked so hard for their businesses that they do not like walking away from them, as Bob Joyce told you a few nights ago.

Mr. Chairman: This is my last question and then I will defer to the committee. Maybe I will have an opportunity to come back to this. I am not trying to make the banks look like villains. Clearly, it is easier to make governments look like villains. I will continue to talk in that vein. It is easier to pick on governments.

What I am clearly interested in learning more about is how, in this rapidly changing world, which you referred to very effectively in your submission, your membership feels its historical relationship with the Canadian chartered banks might change to assist some of the new realities it is facing. That is the question.

Mr. Hale: All right. I think that is a good question. The key areas for a small businessman are finding a banker who knows how to talk his language and knowing how to talk the banker's language in return. That is one of the services we provide to our members, explaining to them what sort of things a bank is looking for when a company seeks a line of credit or an extension in its line of credit, whether it be project financing, working capital or term financing.

The critical area for the chartered banks--I think it becomes more critical as they have to cope with foreign competition--is to be able to provide an effective personal service to their small- and medium-sized corporate accounts. It is no secret that many of the foreign banks--Banque Nationale de Paris is just one example that has come to our attention from our membership.

This is an outfit which, I suppose, is big in Europe, but it had been operating on sort of a suitcase banking arrangement from a small office downtown here. It has gone out and actually looked for small- and medium-sized Canadian firms in which to specialize for their operations. It is a more competitive sector. They are concentrating their expertise on the small business market.

The response of some of the chartered banks--not all of them; some of them are still quite complacent--to this sort of challenge is to, in greater measure, concentrate their commercial banking expertise in so-called core branches, so that instead of having you go to a local branch in which the manager, in addition to making personal loans, is also doubling as a car salesman and, as an afterthought, takes care of your small business account, they try to bring sharp corporate lenders together in a central location so that the businessman is dealing with somebody who understands business and who can talk to him in his own language.

I think that is something our banking system has to look at in greater measure. With the new Bank Act finally coming into law and the foreign banks commencing operations, albeit it on a limited scale, this will increase the importance of the small Canadian firms' business to the banks and make the banks more anxious to compete for that business, rather than dealing with it on a take-it-or-leave-it basis, as has traditionally been the case.

Mr. Mackenzie: Mr. Hale, suppose there was some more formalized government lending institution or agency for small business, possibly even with preferred rates, but where the requirement for assistance was equity, even if it were short-term equity. How would the small business community treat that kind of a proposal?

Mr. Hale: The response to it would depend on the long-term implications of that equity position. The financial structures of venture capital operations can be handled in a number of ways.

If there were a reasonable royalty and buy-out clause so that small firms felt that when the business had been built to a certain point the government would take a percentage of the profits but that it would be bought out over a period of time, and that they would have the long-term control over the destiny of that operation with their venture capital investment--in this case, with the Ontario Development Corporation or some new counterpart getting a fair return--they would not be actively hostile. If, however, the government tried to tie nonbusiness-related strings to that investment, the reaction would be, "Thanks, but no thanks."

Mr. Mackenzie: In other words, if they said, "You have a certain obligation to your employees," they would not want to consider that as part of the equity treatment.

Mr. Hale: It would depend on what that obligation was. The key would be that there be no hidden strings attached.

Any business that takes on a venture capitalist as a partner does so with an awareness of some of the risks involved. If the covenants of the agreement are such that each side knows where the other stands right from the very beginning, and presuming, hoping, that the individuals in question have enough business experience to be able to predict the sort of things that stem from certain arrangements, the sort of thing you describe would not be ruled out--as long as government did not want to change the rules in the middle of the game.

What I am thinking of is something comparable to the situation where the small- or medium-sized Canadian firm which has worked for years to land a contract with the federal government, to get around the buddy system which frequently exists within the federal and, indeed, provincial procurement departments, where the sales agents of large companies come in and write the specs to their own convenience. If a company has got into that situation and suddenly the door is open, he has a contract, it is a certain percentage of his business, and then the government turns around

Mr. O'Neil: Maybe in the introduction we could give both sides. We could use that as one of the arguments we have received and the other argument, which we received today, is Mr. Grossman's statement that for every one that closes there are six and a half, so there is a balance there. We are hearing one side and the other, but in the end we are going to have to say exactly what is happening.

Mr. Cureatz: Maybe it is not worth while to go into each specific sentence. I would prefer not to do that.

Mr. Chairman: I do not think this is the time or the place, but I wanted to note that. I would not have any more patience with somebody who opted to talk only about the new openings in the last year, pretending that the rest of the things were not of pressing concern. But this seems to ignore some other aspects that have been discussed in the committee meetings.

Mr. Mackenzie: Mr. Chairman, forgive me if I am the odd man out again, but if that introduction and the first page or two do not reflect the very reason and the only reason this House set up this committee, to deal with the situation of plant closures and the effect on workers and the effect on workers who have difficulties with other jobs or the kind of pensions the Coombes and a good many of the others who came before us will get, like some of the people in SKF, then I do not know why in hell this committee was set up in the first place.

Mr. Chairman: There is no question there is an urgency to our work.

Mr. Mackenzie: That clearly states the frustration that led to the debate in the House and that led to the committee's being set up. I do not find it one-sided or overly strong. Hell, I could word it a hell of a lot more strongly than that. I do not think it has to be--what it does say, though, is exactly why the House saw it necessary to set up a select committee to look into plant shutdowns and the question of whether or not it is a major problem in Ontario. They obviously decided it was. My God, I do not know how you can weaken that.

Mr. Martel: I already had some stronger words to put in. If I had made any comment, it would have been that it is not tough enough.

Mr. Mackenzie: Is that what led to it, the frustrations in the House that led to this committee?

Mr. Chairman: There is no question about the urgency.

Mr. Cureatz: We are attempting to reach a consensus here, and I for one prefer the other. Are we going to look to our staff to try to come up with something or not?

Mr. Turner: (Inaudible)

Mr. Mackenzie: You did not agree from day one.

Mr. Turner: Oh, yes. It was out in the real world where the frustrations were being experienced.

Mr. Mackenzie: The frustrations come to us and I think we, as members of the Legislature, have a responsibility to address them.

Mr. O'Neil: Anyway, the staff knows our feelings, that both sides should be represented.

Mr. Renwick: Mr. Chairman, with great respect, it is not our job to balance everything. Our job is to do what we are told to do. The matter of plant closings and related issues was referred to a select committee on plant shutdowns and employee adjustments for consideration and report.

Mr. Cureatz: That is all we need. That is it.

Mr. Renwick: There may well be good things happening out there. It may be true that the pie in the sky is right around the corner. But I ask Mr. Cureatz, Mr. Turner, and others too, how can you can look at--I am not quibbling about whether "in every part of the province" is the key phrase, but that was not Mr. Cureatz' point. Mr. Cureatz' point was that it is overstated.

I would ask him to look, first of all, at the submission made by the Minister of Labour (Mr. Elgie) setting out, using the inadequate statistics available to the ministry, the position with respect to plant shutdowns and significant layoffs and the number of people involved, as a justification of the first statement.

The second statement, it seems to me, from that information and from the case studies we have done, is an accurate statement of the position. We may not like it and there may be another way of expressing it, but it is a very accurate statement.

Perhaps I can go on to the nature of the report. I take it that what Minister Grossman and Minister Miller had to say to us was, "Do not rock the boat," for various reasons. "We will live through this." That was their basic comment. "Whatever we do, we will upset something or other." We are really not to do anything.

If you read what Minister Grossman said and what Minister Miller said, they are saying the same thing from different angles: "It is cyclical." I do not know what the hell "cyclical" means except that you are to grin and bear it when it is down. I suppose that is it. But that is what those ministers said.

The Minister of Consumer and Commercial Relations (Mr. Drea) had nothing of any significance to say on the matter because his area was specifically related to the pension question.

Then we had the case studies. That is what we have done.

I would like to see the report deal with the case studies and skip the Employment Standards Act and Bill 191 and the pension plan problems arising from plant closures. We may have to touch upon them, but our job is not to look at pensions. Our job may be

to provide something with respect to the anticipations of people who, if they had lived out their working life in that plant, would have received pensions, but we have a very limited concern about that. I guess the key is if we can agree on the succinct statements in the summaries of the case studies that are before us about the reasons for the shutdowns.

Obviously Mr. Turner does not agree on the Outboard Marine case study.

Mr. Turner: No. Do not misinterpret what I said.

Mr. Renwick: Let me use Armstrong Cork as an example. The reason for the shutdown--and I think the way it is stated is too polite, but it is a very objective statement. "The Canadian operation was closed ultimately because the US parent had alternative investments with higher expected returns."

I think that was very clear. That was the reason it shut down. That is the only reason it shut down. All the rest of it was gloss. There was a lot of background about how long it took them to come to this decision and what they did before they came to the decision and all of that, but the fact of the matter is that the decision was made not to invest any money in that plant. That is all it was. And the decision was made abroad.

Mr. Turner: Was it not in a money-losing position?

Mr. Renwick: Not when it shut down, no.

Mr. Turner: Not that very year, but it had been.

9:30 p.m.

Mr. Renwick: No. Mr. Jordin said quite clearly that he would not recommend to the head office the \$20 million investment that was the kind of investment needed to turn it around because he could not foresee there being a rate of return on that investment to justify it. He did not recommend it. The moneys which Armstrong World Industries had available for investment never were used. Unless we can agree on the reasons for the shutdowns, I do not think we can come to any conclusions.

Mr. Turner: No. That is obvious.

Mr. Renwick: I think SKF was a very simple example. I think Steep Rock was a very simple example. I think Outboard Marine was a simple example of why they made the decision.

Mr. Turner: I am not disagreeing with that.

Mr. Renwick: We can disagree on the recommendations to be made, but not, surely to God, on the evidence we heard.

Mr. Martel: As I stated, I had already started to revise the first page, but I want to tell you, Mr. Cureatz, it was to toughen it up, if anything.

You might check with your colleagues who sat on a previous select committee looking into this problem, but I recall that one night, as we started to grapple with the various corporations, Darcy McKeough, the former Duke of Kent, offered to put on a dinner for the select committee. We went over to Sutton Place, to that room way up at the top--whatever the hell it is called--and the Duke got around to suggesting that maybe we should not look at economic nationalism as toughly as we were, that perhaps we might stick to cultural nationalism.

Do you know what the committee said? In those days the ratio of members was seven, two, two. To the credit of the Conservative members on the committee, they suggested to the Duke of Kent that he should go back to being Treasurer and the committee would report its findings.

That is what I suggest we do here, and not try to protect somebody's backside by being a little more genteel. We can only relate the facts as they are presented to us. If we find that is the reason for a shutdown, that is what we say, and we do not try to water it down. I tell you, as far as I am concerned, any effort to soft-pedal this issue is going to meet with some resistance.

Mr. Chairman: I detected that. Mr. Cureatz?

Mr. Cureatz: I turn to the resolution that established the committee: "Resolved, that the matter of plant closings and related issues be referred to a select committee on plant shutdowns and employee adjustment for its consideration and report as soon as possible." Then I go down to the first and second points. I do not see how Mr. Jennings gets his first and second points out of what the committee has been instructed to do.

Going down to the fourth paragraph, "The issues of plant shutdowns and of the inadequate pensions and severance payments received by workers in these plants have been matters of serious concern in the Legislature for many months," quite frankly, I do not feel the committee has progressed through to its full findings so that it can have a full appreciation of what has taken place.

Mr. Renwick: It is obvious from the evidence we have heard.

Mr. Mackenzie: If that is not an introduction from the debate in the House, boy--take that back to your constituents, Sam.

Mr. Cureatz: I am only taking a look at what the committee has been instructed to do. It has been instructed--shall I read it again, Mr. Martel?

Mr. Martel: I can read. I want to ask you a question. Are you suggesting that many of those whose jobs were lost in the plant closings find themselves, after years of faithful service, with little or no severance pay, with extremely meagre pensions and with few prospects of finding alternative employment--are you saying that is not factual?

Mr. Cureatz: Not whatsoever. Certainly, in some of the

cases we have investigated, that is true, but I also feel we have not completed all of our investigations and I think we should have the benefit of those witnesses that come forward.

Mr. Martel: How many years do you want to sit?

Mr. Cureatz: I do not think you were at the luncheon planning session, but we did agree we would be sitting for four weeks, and use the fifth week to plan the report.

Mr. Martel: Yes, but I am asking how many years you want to sit, if you are going to look at them all?

Mr. Cureatz: I told you what the committee has decided in terms of sitting. Do you not want the benefit of a full investigation?

Mr. Martel: That is not going to resolve your dilemma because despite sitting four weeks you are not going to look at them all.

Mr. Mackenzie: Another thing, Sam, you should recognize is that we have had some of the good cases before us. They were pretty representative of what is happening in the plants.

I can tell you pretty well what the umbrella groups that will come before us are going to say. There will be about two presentations: One will come from whatever business group is the major one; the other one will come from the Ontario Federation of Labour. After that you can almost quit, after hearing those two groups.

Mr. Cureatz: I would like to hear them.

Mr. Martel: You are going to hear them. That is no problem. But I do not think we water down the report.

Mr. Turner: That is not a fair observation. It is not a question of watering down the report.

Mr. Mackenzie: It is.

Mr. Turner: No, it is not.

Mr. Martel: What is it? Is there anything not factual on that first page?

Mr. Turner: I think you are stating the obvious, really.

Mr. Martel: Okay. Why does Sam Cureatz want to eradicate it then?

Mr. Turner: What does it add? Everybody knows what the problems are.

Mr. Martel: No, everybody does not know.

Mr. Turner: I would like to think everybody in this room knows what the problems are.

Mr. Mackenzie: This committee has probably been a waste of time in terms of reaching out to both the House and the people. If that is not the case, then we do not put it in the doggone report.

Mr. Martel: I do not want to print any lies.

Mr. Turner: No, there is no suggestion of that. Really, what we are doing is engaging in a lot of rhetoric about something which is well known, throughout my community, certainly, throughout your community and a lot of other communities.

Mr. Chairman: I would just say that at this stage of the game this is a first opportunity to look at some parts of our report to the assembly. We have some material to look at in some detail before anything is finalized. Again, may I ask the staff if they have any further questions or if they require more direction from the committee?

Mr. Jennings: Again, I would particularly like to know about this issue that came up today suggesting that we might not include recommendations in this report. Up to now I thought it had been decided that we would. That has to be resolved today, I would say.

Then, if that is resolved, and if we are going to have recommendations, how will they be presented? Should the staff prepare a list of possible recommendations based on all the different areas that have been covered, and then have the committee debate them, or do you want a combination of that, or do you want to debate them and use what comes out of that process?

Should we provide background for you to arrive at recommendations, or are you going to basically give us suggestions and have us word them?

Mr. Mackenzie: I would like to respond to that, but I also have a bit of a general response first. I have very strong feelings about the fact that we had to use the threat of a warrant in one case and have not had agreement in the case of another plant. We have had problems with one of the unions, but it was a scheduling problem, not a refusal to meet with us. I am not sure they have been as totally co-operative as has been said.

I suppose I could be accused of arguing--well, just what we have been talking about--for stronger wording. I find the introductory statement a pretty accurate assessment of what the heck has happened, and I like it. I like the case history bit. I think there can be some clarification. We will probably have to go through two or three of the points in there.

I do not think I differ with my colleague, but I personally think a little more could be said--and I do not want to make any of them long--on the reasons for the SKF shutdown, because I think it was more than just the tariffs. That may have been one of the

reasons for it, but I think there was a systematic setup of that particular company.

Notwithstanding that, the introduction is fine and the case studies are fine. I disagree with my colleagues across the way who want to make the basis for it the diverse comments from various people.

I notice, for example, that you have Mr. Martel and myself in there, which I have no objection to at all. I really think we must come up with the recommendations based on what we have heard, and not try to balance one against the other.

I would make much stronger a couple of the statements you have attributed to both Mr. Cooke and Mr. Rygus on the involvement of the government, for example, when you run into a pretty obvious case. I think the Steep Rock case is one of them.

I am not sure we gain a hell of a lot by putting the comments of either side down there. That is something else we can argue over, but I would not do that.

I think the rest of the introduction and the rest of the case studies, with maybe a few minor changes, are excellent. I think from there we do go to recommendations. Now, we are not going to go to all the specific recommendations. I think the direction we take is to say what we have found out and what we have to take a look at.

I mentioned one of things that was pretty clear to me; that is, that we have to come to grips with where the decisions about plant closures are made. That may lead very obviously to recommendations on disclosure and all the rest of it; it may not. That may be one of the battles in this committee. But I think the recommendations have to include this as one of the things that has become obvious and one of the things this committee has to address--maybe it is not properly a recommendation--and that is the decision-making process and where the decisions are made about plant closures.

9:40 p.m.

Tape PS-2140 follows

disclosure and all the rest of it. It may not. That may be one of the battles in this committee. But I think the recommendations have got to say, one of the things that has become obvious and one of the things that this committee has to address. Maybe that is not properly a recommendation, but it is the decision-making process and where the decisions are made in terms of plant closures.

In terms of any other recommendations we may make in the interim report, if any of us have them, we can throw them in, either at this or the next meeting. I don't, at this particular time, have any other specific ones. I think the important ones will come after the next six weeks of hearings. But I think that what we have got to say in this report, in terms of direction if not specific recommendations, are the kinds of things we are

seeing that are bothering us and that we have to address in the final recommendations, so that we clearly can make some recommendations when that final report is done that has some substance.

Mr. O'Neil: You are starting to contradict yourself. You are saying we should make recommendations and then you are saying we have not seen enough that we can make recommendations.

Mr. Mackenzie: No, I did not say that at all. I may be using the wrong word in "recommendations." I am saying that our recommendations have got to be the direction, what we found, what's wrong and what we have to address.

Mr. Cureatz: How about our findings to date?

Mr. Mackenzie: Suppose we say, for example, we agree that one of the things that has disturbed us in the case histories before us is that the decisions do not seem to be made in this country. If we say in our conclusion in that report that one of the concerns that has arisen--I am not going to put it as a concern; I would say it a little stronger than that if I was doing it--is that we have a real problem in this province in terms of who makes the decisions to close plants down and what kind of input Canadian management has, then our recommendation is that this be one of the areas that this committee must address in its final report and in its recommendations. That may technically not be specifically a recommendation, but it is a direction.

Mr. Chairman: I would not be shy of using the word "recommendations," as long as we and our colleagues understand that they would of necessity be preliminary recommendations. I don't think we should shy away from that. One of the important reasons why I believe that should be done is so that the witnesses that will be on tap to appear before us at the outset of 1981 will have access to that report and will have a better feel, albeit they are preliminary suggestions or recommendations. That can help them in addressing their comments to us. They may wish to speak to some of these specific ones.

I think that would make it of value. I heard two thoughts that there be no recommendations. Can we take it that there would be recommendations of a preliminary nature in our interim report to our colleagues in the assembly?

Mr. Turner: Based on the evidence heard today.

Mr. Chairman: Is it appropriate now to turn to the motion?

Mr. O'Neil: Does the committee feel the staff needs any more direction?

Mr. Mackenzie: Based on what they have heard, and I agree it can be at times confusing and contradictory, they should be putting down not only the kind of direction and recommendations we might make, but also any specifics. We had one for a specific purpose on the week's severance pay that we put on the floor

tonight because of the debate that is going on in the House.

I am not precluding other substantive recommendations, although at this point I don't have any, other than making damned sure we are addressing some of the problems we have run into in our final report. But I think if you people have ideas or recommendations that you think are useful, you should put them before us for the next meeting.

Mr. Jennings: Just for further clarification, when people have really looked at what has been presented before them, they may have further comments on what should be included and what should not, but I wanted to get an idea if the form of the report that seems acceptable is: the purpose of the committee, introductory background--whether this particular form will be changed or not--then the case studies.

It is not clear whether it will include things about the act or the pension plans. There was some discussion about whether there is a desire to include that in the interim report or not. Then there are either findings to date or interim conclusions, however we are going to term them, and then, the way ahead, directions on what we are going to discuss.

Mr. Chairman: Mr. Renwick, I got the impression that you would not be unhappy if the report did not speak to the amendments to the Employment Standards Act or pension amendments, if they are forthcoming while we are still sitting?

Mr. Renwick: I certainly don't think they should be given the same prominence as the other work that we have done. I found as soon as I got to the pension plans, terminations arising from plant shutdowns, from the information provided us by the pension commission of examples, we should stick more to the examples that they provided us with.

I guess it has been evident in all of my comments about the pension thing that I think it would be wrong for this committee to get immersed in the pensions question, because of the royal commission and because it is just such an immense field. I think this is a little over elaborate in relation to what we have found in the information that we have.

On the Employment Standards Act, a brief comment about it is in order, but it is not in the same order of magnitude. Having it set out here the way it is would indicate that there is really something significant about that Employment Standards Act. There really isn't. Bill 191 is not a particularly significant bill.

Mr. O'Neil: I can understand what Mr. Renwick is saying, but I also don't think that we should put down or underplay the importance of pensions in the select committee on plant shutdowns and employment adjustments as pensions are a type of adjustment. He is right when he says that we cannot really get into it in too much detail, but I do think that in our preliminary report that we should mention that pensions are a concern, the present state of pensions, and how people are being given back what they paid in,

or not really getting anything out of it. I think we have to express our concern about it.

Mr. Renwick: Another comment I would like to make just before we move off is that I was hopeful that we would be able to gather specific information about the individual companies and what happened to the people in those companies by way of dollars and cents. I know there was some discussion in the committee. I know the clerk spoke with me at some point. What is the state of that? Are we going to get that kind of information in a way that would make sense?

Mr. Eichmanis: I have asked the companies concerned to provide as much detail as they could provide, and they will be sending it along as quickly as they gather it.

Mr. Renwick: Will it sort of indicate that Joe Smith left the plant at such and such a time?

Mr. Eichmanis: I am not sure that in each instance they can provide Joe Smith--

Mr. Jennings: It's more a breakout of categories, a range of, say, 100 to 150.

Mr. Renwick: These guys worked X number of years and they walked away with this X number of dollars. Is that it? That, more than anything else, would dramatize what we are talking about.

Mr. O'Neil: I think too if we could put in that preliminary report something that we are not satisfied--I will put it this way--with the slowness of having received this pension report. We feel it should be made public as soon as possible so that we can consider it in our deliberations during the months of January and February and take pensions into a little more prominence.

Mr. Chairman: If I may ask again, are there any further observations or questions you have of the committee?

Mr. Jennings: I guess that covers most things. Again, with regard to the recommendations, there is some concern about how broad we are going to go with the recommendations, whether to keep in a kind of narrow area of employee adjustments or to expand to the economic problems.

Mr. Renwick: I think it is a bit invidious to ask the staff to start to write out various possible versions of the recommendations in order that we can have some kind of a draw or selection from them. I think it would be important for the staff to define the areas within which there may be possible recommendations and maybe the sub-areas within those areas, rather than to get involved in the question of what the recommendation may turn out.

9:50 p.m.

For example, I think of events prior to the watershed

question. Are we going to make any recommendations as to what the procedure should be in the future with regard to events prior to the time when the company gave the notice? That raises those questions. I don't think we are going to have all that much trouble with the post-decision-making part of it. But I sense that in that first area we are going to have to try very hard either to come to an agreement or at least to clarify the issues that we have to disagree on.

Mr. Chairman: We are going to have very little time to have another look at the report. It will be pretty much in its final stage by the time we see it again on Tuesday.

Mr. Renwick: The machines are magnificent and they will change anything quickly.

Mr. Cureatz: When is the final date?

Mr. Chairman: We will have to do it Tuesday next, I think. Are there any other comments for the staff or any other questions of us?

Mr. Jennings: The only thing is if Tuesday night is going to be the final night you will want to have some kind of allowance to prepare a list of possible recommendations or areas to be covered and have that discussed.

Mr. Renwick: By Friday of this week, and send it to the committee members and let them mull about it over the weekend individually and others and so on. Then we will be able at least to generate some thinking about it by Tuesday.

Mr. Chairman: We will turn then to the motion. I understand there is the second reading of this bill tomorrow and you want a motion from this committee to--

Mr. Mackenzie: I think there should be a motion from this committee that establishes the severance pay principle and that it is based on one week's pay for a year of service. Obviously, we are not going to get that blanket because the intent was, and I obviously haven't put it in the wording, that it should cover the corner grocery store. I think that's a bit of a red herring. Probably you work to the specifications that we have in the Employment Standards Act, or something like that. My own feeling is that it should be any plant with 25 or more employees, and I hate excluding those under. We may work something else out for a smaller plant.

Mr. Chairman: Without getting into the details of the changes, if any are going to be forthcoming--and I am not asking a question because I know the answer, but just the opposite because I don't know the answer, but I think I am right--you want an opportunity to inject this, quite properly, into the assembly debate tomorrow. There is no other forum, or at least this is appropriate forum, to have a motion from this committee to so inject this thought into the debate. Is that correct?

Mr. Mackenzie: That is correct.

Mr. O'Neil: Who will make that motion?

Mr. Renwick: This will be a report of the committee by the chairman when reports are called under routine proceedings.

Mr. Chairman: The reason I asked is it does beg the question, is the motion in order?

Mr. Martel: Anything is in order because we are not going to move the motion per se as a committee. What you are simply doing is going to present a report of this committee to the House, and that comes long before the legislation is even called. Once you give your report, then the motion does not have to be moved by the chairman because his responsibility is simply to present the report of the committee to the Legislature.

Mr. Mackenzie: I would hope, probably vainly, that if this report is presented to the House tomorrow, the minister prepares an amendment adding that section to his bill in the afternoon. Certainly others would be willing to do it.

Mr. Turner: This is an interim report in itself, is it not?

Mr. Mackenzie: Yes.

Mr. Renwick: I am not trying to work out what the amendment should be, but it does seem to me that in order to focus the attention of the House on what the hell we are saying, what my colleague says should be done. It was the intention that the minister introduce a further amendment to Bill 191 providing for this.

Mr. Chairman: But my simple question is, there is no other way that Mr. Mackenzie or anybody in the committee could do that without--

Mr. Mackenzie: Anybody can move an amendment in the House.--

Mr. Renwick: It would probably be knocked out as being out of order. That is the God-damned problem.

Mr. Chairman: And this way it won't be?

Mr. Renwick: Not if the minister says he wants to amend Bill 191 to provide an additional clause. He can do that.

Mr. Eakins: Does the present legislation deal with numbers?

Mr. Mackenzie: It is so many weeks, depending on how many employees there are.

Mr. Jennings: The first notice is for 50 to 200 employees. It's in the regulations.

Mr. Mackenzie: Maximum notice is 16 weeks. Severance pay

is entirely different from the notice.

Mr. Jennings: The first notice is for 50 to 200 employees. It's in the regulations.

Mr. Mackenzie: Maximum notice is 16 weeks. But severance pay is entirely different from notice. The members understand that.

Mr. Cureatz: I'm having trouble with the procedural problem on why it is being done this way, just a straight technical little question.

Mr. Mackenzie: Supposedly this committee--I don't understand the procedure of the House, and I bow to my colleagues or others here who know a hell of a lot more about it than I do--but, supposedly, if this committee makes a specific recommendation here tonight, and that is reported in the House tomorrow as an interim recommendation, the minister will at least acknowledge that. If I had my way, he would include it as an amendment, if it's passed by this committee, in his legislation, which will be debated tomorrow afternoon.

Mr. Cureatz: But there is nowhere in the debate tomorrow where you can introduce an amendment in this regard?

Mr. Mackenzie: Certainly. As I understand it, if there is no amendment forthcoming, then any member of the House can introduce a motion. That is entirely different to having a recommendation from this committee; and we are charged with looking at this particular question.

Mr. Martel: The thing with the committee report of course would be that the minister would (inaudible) agree, (inaudible) saying to the minister that he should in fact include that in the legislation in the debate on second reading tomorrow. That might just give it the (inaudible) he needs to introduce his own particular amendment based on some terms of reference (inaudible) who qualifies.

Mr. O'Neil: Will Bob change his amendment to go along with this 50 to 200 as is in the--

Mr. Mackenzie: I'm not sure we have to, but I accept that that's what we are trying to do. I would leave it, personally, exactly the way it is. But I understand that immediately raises what I think are red herrings, that you asking for that severance for the corner grocery store. I don't think we are ready to move that far yet, whether I would or not.

Mr. Eakins: But that leaves it open to that.

Mr. Cureatz: That's right.

Mr. Chairman: I am going to defer once again to the parliamentarians on the committee, but defer in this kind of a way. I would like, as chairman of this committee, to rule this motion out of order. And I so rule.

Mr. Martel: I hate to challenge the chairman, but if the chairman is going to rule it out of order, he has got to give me a reason why he is ruling it out of order, what he is basing his ruling on.

Mr. Chairman: It really does become an interim report of the committee. And on that basis--

Mr. Martel: Then anything is open. It's fair game.

Mr. Chairman: Then we could be introducing motions into the assembly three days a week, or two days a week.

Mr. Mackenzie: For specific debate tomorrow in the House.

Mr. Chairman: That's part of my reason.

Mr. Turner: That's the only reason for the introduction of this, is it not, to coincide with the debate on the amendment legislation?

Mr. Renwick: To try and get it passed before the House rises.

Mr. Turner: That was already explained.

Mr. Mackenzie: You have some indication of this committee's concern right off the bat in an area that otherwise it means it is going to be months, and then future plants are not going to benefit. I know of a few that over the next couple of months, if you want to start getting into some of them, are planning on closing.

Mr. Cureatz: I would like to see your motion dovetailed with whatever the existing legislation is at 50 or whatever.

Mr. Turner: Can that be clarified or--

Mr. Cureatz: Because I'm in agreement. That's acceptable.

Mr. Renwick: That's not a problem. In the world of trying to get something moved quickly to protect some people, I think we probably have to accept that framework. But accepting that as the framework, then I don't understand why the chairman has ruled it out of order.

Mr. Mackenzie: I would be willing to look at what counsel or what the clerk of the committee can come up with to dovetail it into the legislation, but I would certainly challenge the chair if he is going to rule it out of order.

Mr. Turner: Will we have prior notification or knowledge of the motion?

Mr. Renwick: It will be for the government to introduce.

Mr. Turner: I mean members of this committee.

Mr. Martel: Let's not confuse apples and oranges. All we are doing is making a recommendation. We are not moving an amendment to the legislation. All we are saying is that there should be severance pay for people we feel are thrown out on the street.

The type of amendment that will be moved, if the minister so chooses to move it, will be based on what he sees as being operative, and he has an opportunity to present that to the Legislature. All we are saying is that there should be severance pay. Now where they want to draw the line, that will be a matter of debate in the House. I think most of us agree that we are not talking about the corner grocery store or the restaurant who lays somebody off after six months.

10 p.m.

Mr. O'Neil: That should be down, then, as part of the motion.

Mr. Turner: Why don't we include that in the motion? That is all I am asking.

Mr. Chairman: I am going to ask for a little bit more specific direction. The chair has ruled Mr. Mackenzie's motion out of order. I am in the hands of the committee.

Mr. Martel: You have to have a reason. All I am saying, Mr. Chairman--

Mr. Chairman: It becomes, as I say, an interim report. We could do this twice a week and so disrupt you, as a House leader, we would so disrupt the rules of the House--

Mr. Martel: I appreciate your concern. But to rule something out of order means there's has to be something out of order and I don't know what's out of order. If you can explain to me what's out of order, then I might be prepared to--

Mr. Turner: Well, maybe the motion itself--

Mr. Martel: No. At this time it's not. We might want to change it, John, and I think Jim has indicated his willingness to change it. But simply to rule it out of order when there is nothing out of order is what I have difficulty with.

Mr. Chairman: I will just say again, Mr. Martel, without benefit of a lot of parliamentary procedures and just on the basis of my clear understanding of what the mandate of this committee is and our request to you and the other House leaders for our particular report--

Mr. Cureatz: Mr. Chairman, before you put it to the question, I would still like some further clarification on this motion. Mr. Mackenzie's suggestion was that if the clerk worked out something convenient in terms of dovetailing, whatever, instead of the corner grocery store which this may apply to. Quite frankly, that is the determinant as to whether I am going to be

supportive of the chair or not on your motion.

Mr. Chairman: I was just in the process of explaining why. We are going to file an interim report sometime next week. That was understood from the time we began five weeks ago.

What was never understood, certainly not by the chairman, is that we were in a position to report to the assembly every day, immediately recommending a series of things, all of which could, it seems to me, be done.

I recognize the uniqueness of tomorrow's second reading and the urgency that Mr. Mackenzie attaches to it. I take nothing away from that. I am just saying that on the basis of this committee, our agreed-upon timetable, our agreed-upon timing for an interim report, I am ruling out of order this other report which does not fit with our original plan.

Mr. Martel: Mr. Chairman, a committee can do anything it wants. It can make any recommendations it wants any time it wants. There is nothing saying that we will have to have report number one, number two and nothing else. A committee can determine what it wants to report.

I do not want to be argumentative with the chairman, but he has to give me a reason which makes it out of order. We have to be violating some rule of proceeding, we have to be doing something that is contrary to the rules of the House, before you can say it is out of order. I do not think your reasoning is sufficient to say, "I, as chairman, deem that this is not going to happen." That is, in fact, what you are saying to us, Mr. Chairman.

Mr. Turner: The chairman ruled.

Mr. Chairman: As chairman of this committee.

Mr. Martel: No, the committee did not say that; the chairman did. That is why I have difficulty grasping what you are trying to do, because you are taking it upon yourself to say that the committee cannot make a report. The committee can do anything it wants.

Mr. Chairman: It is much more than a report. It is reporting immediately to the House, recommending that the government immediately introduce legislation. It seems to me that this has all the ingredients, potentially, even for an emergency debate. It seems to me that this is of such import to the assembly that the business of the House, as ordered by you and your colleagues, could potentially be disrupted.

I am asking, when I rule this out of order, for some very specific guidance from the committee. I am in the hands of the committee, but it is my judgement that we may be disrupting the business of the House in the next week or two weeks. If each of the committee chairmen came back with reports urging the government to immediately introduce--

Mr. Martel: The government does not have to act. You

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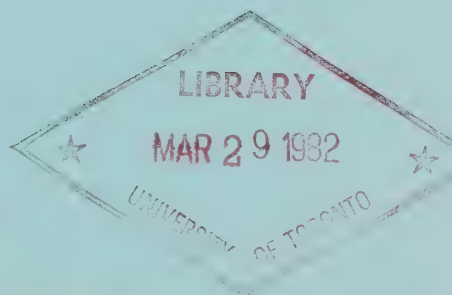
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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

BENDIX AUTOMOTIVE OF CANADA CASE STUDY

WEDNESDAY, DECEMBER 3, 1980



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)

VICE-CHAIRMAN: O'Neil, H. (Quinte L)

Cooke, D. (Windsor-Riverside NDP)

Cureatz, S. (Durham East PC)

Mackenzie, R. (Hamilton East NDP)

Mancini, R. (Essex South L)

Ramsay, R.H. (Sault Ste. Marie PC)

Renwick, J.A. (Riverdale NDP)

Taylor, G. (Simcoe Centre PC)

Turner, J. (Peterborough PC)

Van Horne, R. (London North L)

Williams, J. (Orillia PC)

Substitution:

Martel, E.W. (Sudbury East NDP) for Mr. Cooke

Also taking part:

Newman, B. (Windsor-Walkerville L)

Ruston, R.F., (Essex North L)

Sweeney, J. (Kitchener-Wilmot L) a.m. only

Cassidy, M. (Ottawa Centre NDP) p.m. only

Eakins, J. (Victoria-Haliburton L) p.m. only

Clerk: White, G.

Researchers:

Eichmanis, J.

Fletcher, M.

Jennings, R.F.

Witnesses:

From Bendix Automotive of Canada Limited:

Knight, F.W., Counsel

Smith, E.C., President and General Manager

Taylor, D., Corporate Director, News and Public Affairs
Bendix Corporation

Moore, J., Industrial Commissioner, City of Windsor

Former Employees of Bendix Automotive of Canada Limited:

Douglas, R.

Magee, J.

Mulholland, D.

Tremblay, D.

Weiko, S.

From United Auto Workers:

Byrne, R., Past Plant Chairman, Bendix Hourly Unit

Campbell, L., President, Local 240

Lawrenson, E., Past Plant Chairman, Office Bargaining Unit

Moynahan, J., President, Local 195

Nickerson, R., Administrative Assistant to Canadian UAW

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

WEDNESDAY, DECEMBER 3, 1980

The committee met at 10:38 a.m. in room 151.

BENDIX AUTOMOTIVE OF CANADA CASE STUDY

The Vice-Chairman: I would imagine that the chairman will be here very shortly but since we have representatives of all parties we will get things started.

I would ask the Bendix officials to come forward to the table here at the front, if you would, please. Gentlemen, would you identify yourselves for Hansard?

Mr. D. Taylor: I am David Taylor, director of news and public affairs for the corporation, Southfield.

Mr. E. C. Smith: I am Earl Smith, president and general manager of Bendix Automotive of Canada.

Mr. Knight: My name is Fred Knight. I am counsel for the company and I live in Windsor, Ontario.

The Vice-Chairman: Gentlemen, do you have an opening statement?

Mr. E. C. Smith: Yes, we do, thank you.

The Vice-Chairman: Are there copies of the opening statement?

Mr. E. C. Smith: No, there are not. I might ask your indulgence with the length of our opening statement. We tried to anticipate many of the questions that we would be faced with here and to include that kind of information in our opening statement.

As I said, I am currently vice-president for production operations of the automotive group of Bendix Corporation, maintaining the responsibilities of president and general manager of Bendix Automotive of Canada Limited, a subsidiary of the Bendix Corporation.

We at Bendix feel we understand and share your concern for the impact upon people in communities of plant closings and relocations, wherever they occur. We are here today to be as responsive and helpful as we can to this select committee. We feel it is important to note that the Bendix Corporation represents and maintains a significant presence in Canada and, in particular, in Ontario.

With the closing of BAC Limited, we now have four operations remaining in Canada. Three of those four are in Ontario. We have our Heavy Vehicle Systems Group located in London, a Fram Canada

operation in Stratford, Ontario, Canadian Fram in Chatham, Ontario, and the Aviation Electric subsidiary in Montreal, Quebec. The census in those four manufacturing locations, the number of employees numbers in excess of 3,000. We have in excess of a \$53 million payroll in those four locations, and in our recently closed fiscal year contributed some \$7 million in taxes to the federal and provincial governments--the point being that we have not left Canada, that we are still a significant, meaningful presence in Canada.

If you concur, we would like to briefly describe our Windsor operations, present our rationale for the closing of Bendix Automotive of Canada in this seriously depressed North American car and truck manufacturing environment and then hopefully respond to as many of your questions as we can.

I provided--and I apologize for it--just six copies of a brochure entitled Bendix Automotive Control Systems Group--North America, and included in the brochure--this is what I am referring to--is an organizational chart that depicts the relationship between Bendix Automotive of Canada and the parent corporation.

To the history of BAC, the company that became BAC was founded in 1919 as a subsidiary of the Eclipse Machine Company of Elmira Heights, New York. It was located then on Argyle Road in Windsor and the company originally produced starter drives for Ford Motor Company of Canada. When it was acquired in 1929 by Bendix, coaster brakes and automotive brakes were added to the product line. Subsequently, in 1963, BAC--when I use the term BAC I mean Bendix Automotive of Canada--acquired a second plant on Prince Road.

Up until 1965 our sales from this activity were limited to the Canadian market and to some of the other British Commonwealth countries. With the adoption of the automotive trade pact in 1965, BAC began production for export to the United States. The exports eventually grew to exceed 90 per cent of the company's sales and, in the period just prior to closing, represented about 98 per cent.

The growth resulting from that trade pact at BAC was reflected in increases in sales from some \$9 million in 1965, with an employment of 400 persons, to a 1977 peak of \$73 million in sales and over 800 employees. During that period the products manufactured in the two plants included drum brakes, vacuum boosters, wheel cylinders and disc brakes.

In March 1980, this year, the original Argyle Road facility was sold to General Motors, who were then expanding their adjacent facility. The Prince Road plant continued to operate until June, with production limited to Mastervacs and drum brake assemblies. For your information, when I use the term "Mastervac assembly" it is this product here in black, in the centre of the picture in the brochure. It is a vacuum booster for power brakes for automobiles and light trucks. Drum brakes, which perhaps more of us are familiar with, you see right here in the lower righthand corner. There were manufactured at BAC in most passenger car and light truck sizes.

Bendix Automotive of Canada was a wholly-owned subsidiary of the Bendix Corporation and was part of what is known within Bendix as the automotive control systems group. As president of Bendix Automotive Canada, I reported to a group vice-president at the automotive control systems group level located in South Bend, Indiana, and he, in turn, reported to an executive vice-president for automotive operations of the Bendix Corporation.

The processing techniques employed at BAC in the manufacture of the products we have displayed represented essentially the industry's state of the art and, in the case of our metric line of vacuum boosters, a specially sized power brake for downsized vehicles included, newly purchased in fiscal 1979--our fiscal year runs from September to September--a semi-automatic assembly and test line designed to assure the highest level of product quality and reliability.

As to our rationale for closing, I am sure you are all aware that the North American automotive manufacturing business has been severely impacted by such factors as oil prices and availability, foreign competition, the continuing effects of the recession in the United States, in parallel with double digit inflation there, and the effect on interest rates of the inflation control attempts by the current US administration.

Those factors and the dramatic increases in import sales, coupled with the downsizing efforts of Bendix automotive customers--downsizing meaning the reduction in size of their production vehicles--the disappearance, essentially, of the previously booming light truck and van market, the entrance of new competitors in our particular product lines and the generally modest recovery projections altered, equally dramatically, the traditional Bendix automotive market for those products produced at BAC and produced at its sister divisions.

Where Bendix had previously enjoyed a dominant position in large car and light to medium drum brakes, and a patent protected proprietary position in vacuum boosters, we were then and are now faced with restructuring to complement our customers' downsizing actions, the expiration of select patents and a growing number of meaningful competitors who are creating serious cost pressures on our current operations.

As in any well managed business, and we at Bendix feel we are, we continuously review all of our operations in terms of performance, viability, future potential and, in particular, for the level of asset utilization in current terms and projected for the future.

Our ongoing asset utilization analyses in the business and product lines that were produced at BAC Limited--by that I mean the comparison of our current and projected sales levels to available capacity in those product lines--clearly identified early this calendar year a serious excess capacity situation in both drum brakes and in vacuum boosters for at least the six-year planning period that we utilized.

To give you an example, the excess North American vacuum

booster capacity within the Bendix Corporation equated to approximately 4.1 million units; BAC's total capacity for vacuum boosters was approximately 4.3 million. The drum brake excess capacity in North America was 3.2 million units; BAC's capacity for that particular product was two million. In other words, in that planning horizon of some six years, the potential capacity of BAC Limited was nearly entirely in excess of our requirements.

Therefore the bottom line of our analysis required that a contraction occur within Bendix Automotive to eliminate the potential for underutilized assets and the totally untenable spectre of redundant fixed costs leading to increasingly greater losses in at least two facilities producing these product lines.

Obvious questions then arise. Why close BAC? Why June 1980? Why so quickly?

Our production rationalization effort, or the asset utilization evaluation I described a minute ago, was being conducted on both a North American and a worldwide basis with the objective being to optimize the performance of Bendix Automotive in total.

10:50 a.m.

It was clear that we, in effect, had two facilities, our brake and steering division in South Bend, Indiana, and BAC Limited in Windsor, both facilitized to produce the same type product lines, but with South Bend equipped for nearly 100 per cent of the specific product mixes and types, and BAC Limited, limited at that time, to one brake size and fewer vacuum booster types. Now this mix allocation, certain part numbers, part sizes, et cetera in Indiana, and certain in Windsor, had resulted partly from the dramatic customer downsizing--where larger brakes and larger boosters had simply disappeared as a market--and partly from previous contract negotiation work interruptions that had led to work transfer from Windsor to South Bend, work that did not return to Windsor following contract settlements in prior years.

We had already implemented major reductions in force, in both locations, in both hourly and salary personnel. For example, 182 people had been laid off at BAC at that time, and nearly a 1,000, 995 were on layoff at our brake and steering operation in South Bend. So with these personnel on layoff, we essentially were at the point where we were experiencing and projecting the equivalent of a single shift operation in drum brakes and vacuum boosters in each plant. One shift in each plant in facilities designed and cost structured for a minimum of two-shift, five-day operations.

Now this level of activity in Windsor and in the drum brake and booster portion of our brake and steering division was generating significant losses in these product lines despite our major cost reduction efforts, and despite our reductions in force, and was projected to continue to do so through the entire planning period I described earlier. That is, to operate these two facilities, one shift, five days each, for the six-year planning horizon, would have had losses generated in all six years.

As a practical matter, considering the potential cost reduction opportunity afforded to Bendix via consolidation, a greater reduction in cost could be achieved by closing BAC, than could be achieved by eliminating only a portion of a much larger and much more complex facility in South Bend. The decision therefore, was made in June of 1980 to cease operations at BAC and transfer the BAC production allocation to South Bend, Indiana.

This decision and the subsequent transfer of work resulted in the return to work--and that is a key point--the return to work of approximately 116 hourly workers of the 800 previously laid off at South Bend, and the elimination of 225 positions--combined hourly and salary--in Windsor, essentially eliminating a duplicate overhead and a duplicate facility situation.

It should also be noted that even with this additional work in the South Bend complex, it became necessary to lay off 130 additional salaried employees in the South Bend facility three months later.

The general timing for our closing decision was a function of a number of points. The completion of those initial phases of our production rationalization studies, relative to the BAC product lines of drum brakes and boosters, our market G-2 or intelligence, and our steadily deteriorating sales projections, the Windsor facility already experiencing and planning down weeks, scheduled down weeks with no production activity to control inventory and to compliment our customer schedules.

Our customer schedule down time in that period providing an opportunity to execute the transfer without any shipment interruptions to our customers. And the time required for certification of the transferred production prior to shipments out of South Bend.

Those factors determined our general timing, the June, July time frame of 1980. The specific timing of mid-June resulted from the fact that we were in negotiations with our local unions, UAW locals 195 and 240, and had in fact, been given a strike deadline by the bargaining committee. As a matter of that in itself, not unusual, nor nontraditional, but as a matter of good faith bargaining, we could not enter into the traditional crash negotiations associated with the strike deadline with an imminent decision relative to contraction or closing.

The Bendix Corporation board of directors' June board meeting at the end of the month had to be considered, as these gentlemen had to approve any closing recommendations. The time required to identify, plan and prepare the closing arrangements and the benefit packages to be provided to the BAC Limited employees all determined the specific time frame when we could announce and accomplish the closing.

The decision therefore to close BAC was made the week of June 16, 1980, and was communicated to the employees on June 20. Now we had decided, as part of the closing arrangements, to provide all of our employees with 12 weeks' notice pay in lieu of working notice to afford them the greatest opportunity possible to

find other positions. That decision had a \$1.8 million price tag associated with it.

In all cases, with no exceptions, Bendix met or exceeded its legal, contractual and, in my personal opinion, its moral obligations to the RAC Limited personnel in this very difficult period. For those employees in collective bargaining units, we negotiated with their representatives a closing agreement that provided for notice pay, insurance benefit continuation, basic out-placement counselling programs, and an unusual handling of some very special pension circumstances.

And again, asking for your indulgence, the pension matter is so profound that I want to quote from a letter that summarizes how the pensions were handled: "For those employees in collective bargaining units, the following was accomplished with respect to the termination of the hourly and organized employee pension plan. All retired employees"--that's those who were already retired prior to the June 20, 1980, closing date--"and their surviving spouses are receiving in full, their accrued pensions under the pension plan. All employees who were eligible for immediate pensions on the date of plant closing are receiving in full their accrued pensions."

Now in our pension program, the age and service requirements associated with receiving the full pension fall into four major categories: Age 60 with 10 years' service; 55 with age and service totalling 85; any age with 30 years' service; and any permanently and totally disabled personnel with 10 years' service.

The benefits are substantial. A lifetime benefit is paid equal to \$11 per month per year of service. In these circumstances of closing, a temporary benefit equal to another \$11 per month per year of service, up to \$275 maximum monthly was payable to age 65. And a supplemental allowance for 30 years' service employees, when combined with the lifetime benefit and the temporary benefit, provides \$700 per month until age 65.

Now some 13 employees who otherwise would have failed by some small margin to qualify for an immediate pension, were nevertheless provided immediate pensions. Employees who did not have the age and service requirements for an immediate pension, but who did have 10 years of service, and were eligible for deferred vested pensions will be provided in full, their accrued vested pension benefits payable at age 65. Or those who are under age 45 have been provided the option of selecting a lump sum payment.

Employees who did not otherwise qualify for any pensions under the plan, have nevertheless been provided benefits. These employees have been provided their accrued pension in full at age 65, again at \$11 per month per year of service level, or an immediate lump sum payment.

The bottom line of that summary is that of 765 people eligible for consideration in the bargaining units, all 765 received benefits from the pension program; 173 were receiving immediate pensions; 226 were vested and will receive their

pensions when they reach retirement age. The average monthly vested benefit is \$161 a month for those employees not yet eligible for a full retirement.

11 a.m.

For salaried, nonbargaining unit employees, we provided notice pay, severance pay, one year's insurance continuation, special handling of pension cases including leaves of absence to achieve vesting, a complete program of out-placement counselling and training, and opportunities for placement at other Bendix locations where feasible. And I might take one more minute to cover the special handling of pension circumstances for salaried, nonbargaining unit employees.

The employees within 12 months of pension vesting or early retirement eligibility were placed on an unpaid leave of absence to gain sufficient service credit and achieve their pension vested. Persons who had been early retired at company option within six months of the closing date, six months prior to the closing date, were paid the difference between their normal severance and the 12-week notice pay, plus full severance granted employees reduced in force on June 20.

An employee previously laid off who was within 12 months of vesting was taken off layoff and restored to work, put on leave of absence in order to vest in his retirement plan. An employee who had previously elected voluntary retirement effective July 1, and who would not normally have been covered by special provisions, was given full 12 weeks and full severance by virtue of his service. Full severance for somebody with 30 years or more is six months' full pay. In this instance, this employee would receive nine months' full pay, in addition to his normal retirement, notwithstanding the fact he had elected voluntarily to retire.

All company paid insurance benefits were continued on that basis, company paid, for 12 months following the month of final separation. And all termination payments were made in a lump sum to salaried employees at their request.

Now following the closing action, representatives of Bendix Corporation and BAC Limited subsequently met with representatives of each level of Canadian government. We met with Minister Gray in Ottawa, Minister Elgie in Toronto, and Mayor Weeks and members of his development commission in Windsor to forthrightly, we feel, present the reasons for the closing decisions in Windsor and to offer any assistance that we could be to that community.

We feel Ontario and Canada offer companies in the process of completing plant location decisions considerable incentives, not the least of which is a productive and meaningfully motivated work force. Now the potential for the development of restrictive plant closing legislation, we would think, would represent a significant disincentive to prospective investors, and certainly would not be in the best interests of the free enterprise system that has served us all so well.

Now that completes our opening statement.

Mr. Nickerson: That last statement is yours, brother.

Mr. Chairman: Mr. Smith, thank you very much.

Mr. Martel: I think that should be immediately Xeroxed because I had difficulty trying to make notes on certain aspects. We should have a better understanding before trying to question.

Mr. Chairman: Mr. Martel, if you would just slow down for half a second. Mr. Smith, I want to thank you. I know that copies of the brief will be made available, but in particular it appeared to be almost an aside when you were referring to other papers of the pension material. If copies of that could be made available, we will copy them, but that would be very useful to the committee.

Mr. E. C. Smith: I think what we would have to do in that matter, we can provide copies of what I referenced, but these are draft forms since we had relatively short notice for the meeting and they are not compiled properly. We want to compile those and then send them to you, rather than have this information Xeroxed.

Mr. Chairman: All right, fine.

We do have a list of questioners. Mr. Martel.

Mr. Martel: I want to go back to the document that Mr. Smith read from, his prepared text; could we have that? There were things in there as we went along, such as the reasons for closing and so on, that I simply could not copy down. I might want to raise a question about it but I simply cannot recall it all. And I am not that conversant with the industry in order for all of this to register so that I could ask meaningful questions.

Mr. E. C. Smith: The remarks I read from, I can leave those today; those can be copied. The memos however that I used as reference--

Mr. Martel: I am asking if we could Xerox immediately the prepared brief so that we could make reference to it in order to ask something meaningful.

Mr. Chairman: Graham, if you could do that it would be most helpful. On the matter of questioning, we will entertain questions obviously from the committee. Mr. Mancini is first on the list.

Mr. Mancini: Thank you, Mr. Chairman. I have several questions I would like to ask of Mr. Smith, and I would like to do it in as cohesive a way as possible so if it looks as it we are going over old ground, Mr. Smith, please bear with me because there is a purpose for the questions to be put in that order.

First of all, I would like to have placed on the record some more general information concerning the Prince Road plant. For example, I would like to know the condition of the facility. I would like to know how much equipment was in the plant at the time

of closure. I would like to know the condition of that equipment. We can start off with those questions.

Mr. E. C. Smith: Perhaps sensing the point of the questions, there is no question that Bendix Automotive of Canada Limited, in its Prince Road facility was facilitated as an ongoing business with the latest and best equipment available for the manufacture of the kinds of products that were manufactured there, with significant and meaningful investments made in the immediate year of closing and prior years, and in no way was it substandard or considered secondary in that sense, to any other Bendix location. There was a substantial investment there.

Mr. Mancini: Do you have the figures, sir?

Mr. E. C. Smith: I can get close in the little time that we have had. Now this is just a little bit off the top of my head. We have probably \$4.5 million in land and buildings and equipment still remaining at BAC.

Mr. Mancini: Is this as of today, sir?

Mr. E. C. Smith: Right now, yes.

Mr. Mancini: Do you have figures prior to June 16?

Mr. E. C. Smith: I was just getting to that. Approximately another \$1.5 million in equipment at that facility prior to June 20.

Mr. Mancini: So we can safely say, then, that the plant itself was in very good condition and all the equipment necessary to carry out a proper business was A-1 as far as the company was concerned.

Mr. E. C. Smith: Absolutely. In my opinion, it was an outstanding facility.

Mr. Mancini: The statement that there are \$4.5 million worth of plant and equipment there today, how much of that would be equipment per se in view of the fact that you have stated \$1.5 million worth of equipment has been moved out of there?

Mr. E. C. Smith: Probably a third.

Mr. Mancini: A third of that would be the actual plant?

Mr. E. C. Smith: Yes, I am including in that number--and you are probably aware of this--we have moved the automatic assembly equipment from the facility, but it has not been positioned anywhere else. So that is included in those terms.

Mr. Mancini: Where did you move it to, sir?

Mr. E. C. Smith: It is in a bonded warehouse in the United States.

11:10 a.m.

Mr. Mancini: I see. Do you have any specific destination for that equipment?

Mr. E. C. Smith: Not at this point in time, no. No decision has been made.

Mr. Mancini: Are you telling the committee then that you closed down an A-1 operation, moved some of the equipment out, good equipment, expensive equipment, put that equipment in a warehouse and you do not know where it is going?

Mr. E. C. Smith: I am saying no decision has been made on the eventual use of that automatic equipment. To the rest of your question, the answer is yes.

Mr. Mancini: You do know where it is going?

Mr. E. C. Smith: No. The first part of your question stated that we had closed a first-class, well-operated facility, et cetera. Yes, that is a fact. The automatic manufacturing equipment is temporarily stored pending a decision on a subsequent relocation.

You remember my opening comment that the capacity relative to--

Mr. Mancini: With respect, sir, it was difficult to follow your opening comments because they were not before us and that is why I apologized early in my questioning that we would probably be going over old ground.

Is this usual corporate policy to close up existing, A-1 operations and to move good equipment to warehouses and not know where the destinations are going to be? Do you do this on a regular basis?

Mr. E. C. Smith: There is nothing currently in the automotive industry that is being done on a regular basis. Under the circumstances of dramatic reductions in market and market share and excess capacity, we had no alternative but to close the eminently closeable in the sense that it was unique, relatively small and contained only drum brake and Mastervac manufacturing.

Mr. Mancini: Then that begs the question. If the market conditions are being disrupted right now, and you say basically you do not know where you are going because of these conditions, why was that equipment not left in Windsor, Canada, because the market conditions may require that equipment be here? Why was it automatically brought across the border so quickly and without due consideration given to the fact that that equipment might possibly have been used here, and might possibly still have to be used here?

Mr. E. C. Smith: There are a number of reasons for that. Firstly, our sales projections and our evaluation of the business over the next six specifically, six to 10 in general--

Mr. Mancini: Are you talking about years?

Mr. E. C. Smith: Years, yes--do not predict a recovery in those products that use the drum brakes and Mastervacs produced at BAC. We do not see that recovery reaching the point where the facility capacity was necessary. The movement of the equipment as quickly as it was done, was both a matter of our fiscal year planning to get all of the costs of closing BAC in our FY '80, and also tax matters associated with moving within the same year.

Mr. Mancini: You informed the--

Mr. Chairman: A supplementary: Mr. Martel, Mr. O'Neil and Mr. Van Horne all have supplementaries.

Mr. Martel: What were the tax matters?

Mr. Van Horne: Mine is the same question. Could you elaborate on these tax matters?

Mr. E. C. Smith: I am really not in a position to be too elaborate on it. By tax matters I meant getting our losses associated with the closing, if you will, into fiscal 1980. This is a corporate practice. That includes tax benefits and tax liabilities associated with closings.

Mr. O'Neil: Are these Canadian taxes you are talking about or are they American taxes?

Mr. E. C. Smith: Canadian taxes.

Mr. O'Neil: How would the movement of that machinery to the United States affect Canadian taxes?

Mr. E. C. Smith: The movement specifically does not. The selling of BAC, the physical property, would have, if we could have achieved that in that time period in order to have the facility available for sale. We made every attempt to get the major equipment out of the building. That was one of the reasons for moving the automatic line.

Mr. O'Neil: Is that equipment for sale then?

Mr. E. C. Smith: Not yet. We have not yet made a decision on its disposition or its eventual destination.

It was just the practical matter of having the facility available to a prospective buyer for their immediate use, if possible. At the time we announced the closing, immediately thereafter, there was a very high level of real estate kind of interest in the building. That subsequently has proved to have been just a short-term burst. There is nothing meaningful which has occurred at this point in time. We thought in the July, August, September time frame that it was important to move quickly.

Mr. Chairman: Final supplementary, Mr. Taylor.

Mr. G. Taylor: Having moved the equipment to the United States, will you be depreciating that under the Canadian

corporation or under a US corporation, or do you really know?

Mr. E. C. Smith: I really do not know. I would stipulate though that whatever we are doing is what is correct.

Mr. G. Taylor: I recognize that, but I suspect though that having seen a delay in your programs now to depreciate that equipment that is sitting there, it would have to be moved back to Canada again to gain Canadian depreciation. So there is a possibility it might be moving back if it becomes financially beneficial to move it.

Mr. E. C. Smith: That is not very likely.

Mr. G. Taylor: Could you follow up with an answer, if it is possible, as to how you are going to depreciate that particular equipment, whether under Canadian laws or under US laws so that we could determine the present situs of that particular equipment?

Mr. E. C. Smith: If you mean subsequent to today, I cannot comment on that today. I really do not know.

Mr. G. Taylor: No. If you could provide that information to us at some future time.

Mr. E. C. Smith: Yes.

Mr. Mancini: The comment about the six- to 10-year recovery plan, is it your corporation's policy to plan this far in advance?

Mr. E. C. Smith: Six years is traditional. Ten years--because of the dynamics of the business today, we are trying to look out that far.

Mr. Mancini: That being the case, sir, was it planned some several years ago for you to phase out the Prince Road plant?

Mr. E. C. Smith: Absolutely not. Like almost everybody else in this North American automotive industry, either suppliers or actual vehicle assemblers, we missed the 1973, 1974, 1975 planning cycle completely. Those factors I mentioned before, the oil, inflation rates, the downsizing, et cetera, we blew that essentially, along with everybody else.

Mr. Mancini: Let us see if we can understand a little better then the procedure that took place which led up to the decision which closed the Prince Road plant. You stated earlier that the decision was made during the week of June 16, 1980. I assume that was the final decision.

Mr. E. C. Smith: That is correct.

Mr. Mancini: Could you please, for the record and for the information of the committee, inform us when the first opportunity presented itself that you were forced to discuss among the corporate people who were in charge, that the closure of the Prince Road plant was a possibility?

Mr. E. C. Smith: I really have to answer that in two parts. The production rationalization studies that I described in the comments are part of our ongoing business. That is done routinely, evaluating capacity versus available market. That is done by corporate staff and automotive control system groups, staff people, continuously. That paralleled the major management concern in the late 1979, early 1980 time frame over the future of the automotive market in the near term and in the long term.

On May 28, I was made aware that the bottom line of the analyses, that would be production rationalization and management's overview, had identified BAC as a full potential closing. In that time frame from May 28 until mid-June, I then, as president and general manager of BAC, had the opportunity to present any data I had, or any thoughts or any description of intangibles, or anything else, to bear on the decision to close or not to close, which we subsequently did. In the time frame between May 28 and mid-week of the week of June 16, the decision was made.

Mr. Van Horne: Could I ask a supplementary?

Mr. Chairman: Mr. Mancini, if you permit, there are two supplementaries, Mr. Van Horne and Mr. Martel.

Mr. Van Horne: I would wonder in addition to your production rationalization, which is the in-house phrase for the process of analysing the six-year projections and so on. How much of a factor was the concern over asbestos in that particular plant? Did that, too, come into the decision-making process? Did that sort of tip it over? If it had not been for that, could you have lived with the downswing in the industry?

11:20 a.m.

Mr. E. C. Smith: The asbestos circumstances had absolutely no bearing on the decision and were not part of the analysis. Asbestos had nothing to do with the decision to close BAC.

Mr. Van Horne: It was strictly market conditions. According to you, you misread--

Mr. E. C. Smith: That's correct.

Mr. Martel: You indicated you learned the bottom line on about May 28.

Mr. E. C. Smith: I learned May 28 that BAC was under study specifically for closing.

Mr. Martel: Subsequently have you learned that someone was reviewing this much sooner in the game? In other words, was the parent company looking at it, let's say, a year ago?

Mr. E. C. Smith: As I commented, the capacity versus market studies and production rationalization occur continuously. In that sense all of our operations are being looked at all of the time. The narrowing of that frame of reference to BAC, and the

comparison of its future to that of brake and steering on drum brakes and vacuum boosters, did not begin to occur in that intensity until the May time frame. There may be many studies under way by corporate managers that I am totally unaware of, but I know of none that were under way relative to this subject before I was aware of it.

Mr. Martel: You are not aware of anything being studied in the United States with respect to the possibility of closing?

Mr. E. C. Smith: No, nothing other than our normal ongoing analyses.

Mr. Martel: I am just going by memory. Everything had been going apparently downhill for some time. I think you indicated that in your remarks. You said you had to reduce the size. I think the words you used were "contraction of the unit," and that you did not have the capacity to do that here in Canada without considerable retooling or re-equipping of the plant here to meet that new market.

Mr. J. E. C. Smith: Let me correct that impression. BAC was a viable, progressive entity for 50-plus years in the Windsor community. As late as 1978 and early 1979, major capital investments in new automatic assembly equipment were being made. We perceived BAC as a viable manufacturing location for the future.

This contraction that has occurred in our business happened almost overnight and caught everybody by surprise, by which I mean vehicle manufacturers--our competitors and Bendix. In our 1980 fiscal year, September 1979 to September 1980, we were contracting everywhere--800 employees, right off, at South Bend; 1,200 laid off at BAC and so on.

We got to the point in those analyses where it was clear that market volume was not going to return for at least the six-year period we were projecting. BAC's capacity then became excess to that needed to serve the market. And BAC, producing only vacuum boosters and Mastervacs, represented a more valid cost reduction by being closed than by closing a small portion of a much larger plant.

Mr. Martel: When did you first learn that?

Mr. Chairman: Excuse me, Mr. Martel, for interrupting. This is an important line of questioning but it is not necessarily supplementary. It is being a little unfair to Mr. Mancini.

Mr. Mackenzie, if you have a supplementary to Mr. Mancini's question, please ask it.

Mr. Mackenzie: I have a short one if you will permit it. I am willing to wait.

Mr. Chairman: Go ahead.

Mr. Mackenzie: Your title, as I understand it, is president and general manager of Bendix Automotive Canada. I

personally would have found it a little insulting if I had been told on May 28 that I had until June 16 to tell them why the plant should not be shut down, even I had seen some of the rationalization studies.

Didn't you find it a bit awkward being told you had two weeks to tell them why you should not have to shut down the plant?

Mr. E. C. Smith: Not in the circumstances we were facing. You probably are not aware that I joined Bendix as the president and general manager of BAC in February 1980. I still do not find that relatively brief time frame as an unacceptable management act. The market was dramatically disappearing on us.

I commented in the opening remarks about when things could be done, and our customer scheduling down weeks. If you are a part of the automotive industry, an unwritten rule is you do not allow a customer to be shut down due to your performance. You do not fail to provide the parts and things you are obligated to provide. The fact that they were scheduling down weeks because they did not have sales made that time frame of July-August optimum from a closing and moving point of view. To understand the business is to understand that strategy and therefore not be offended by the time frame.

Mr. Mackenzie: The business understanding is obvious and the corporate rationalization is obvious, but either as a worker, or a national rationalization, I find it very difficult to be given two weeks' notice that they are going to close our plant.

Mr. Mancini: I would like to get back. We have established that it is corporate policy to plan in cycles of six and 10 years.

Mr. E. C. Smith: We plan each year addressing the following six years.

Mr. Mancini: Yes. You were informed of a decision on May 28 that the Bendix plant, Prince Road, Windsor, would be closing and that you had two weeks to explain to the corporate officials in the United States why it should not be closed.

Is that the way their procedure worked? They sent you a memo saying, "We are going to close this plant down unless you can come up, in two weeks' time, with a plan or a reason why it should not be closed down." Am I following the scenario correctly?

Mr. E. C. Smith: That is stated a little more dramatically than the actual sequence of events. At the end of May, May 28, I was notified by my immediate supervisor--

Mr. Mancini: Who would be?

Mr. E. C. Smith:--the group vice-president, Mike Leonard, in South Bend, Indiana, that we had reached the point in depression where some immediate action had to be taken relative to cost reduction; that the production rationalization studies had identified the excess capacity as substantial and would be for a

long term, for five to six years. In my own strategic planning, and in what is known in our business as the "annual financial plan," we were aware of the circumstances. We were aware of our management methods. We were planning contingencies against that capacity. We were looking everywhere within the corporation for the kind of work that would fit neatly into BAC.

We were not cast out there as innocents and then all of a sudden cast aside. We were aware, through our own intelligence efforts, our own market studies, which are done at all Bendix locations, that there was one heck of a problem ahead of us. We did not know that our corporate management had, at that point, seen fit to focus on the automotive circumstance with the intensity that they did and that something must be done in this near term. Strategically it was the only time it could be done in any case.

Mr. Mancini: As the president of Bendix Canada, do you not believe it to be an odd procedure to get instructions from the United States to close your plant in two weeks' time without your originally having been brought into the discussion, being made aware of the conditions and being allowed some time for yourself to have input as to see what could be done with this A-1 facility, which had good equipment which is now sitting in some warehouse?

Mr. E. C. Smith: I can only answer to half of your first question, which is essentially this question. I had input into all of those decisions.

Mr. Mancini: Prior to May 28?

Mr. E. C. Smith: Much of the data that is reviewed by the staffs who do the production rationalization is provided by the operation itself. My managers and myself were providing the strategic information to the people who pull it together, who look at all of North America and worldwide. We were fully aware that there was a major problem in existence and that it was going to get worse.

We were not in the dark. We are not naive in this business. We knew we had a major, serious problem. We were trying to effect the maximum amount of cost reduction in our individual location and to demonstrate that we could, by further cost reduction efforts, render the plant profitable, even under the depressed business conditions. That is our charge; and in that sense, I was fully involved.

11:30 a.m.

The May 28 time frame was only the beginning of the formal analysis of, "Should we close BAC and if so, how?" I was involved in every step of that formal, final analysis, including the planning of the closing, the benefits to be provided to the employees and so on.

Mr. Mancini: So that we can understand this better--you said you came to Canada in February of this year?

Mr. E. C. Smith: February 1980.

Mr. Mancini: Where were you moved from, sir?

Mr. E. C. Smith: From another company.

Mr. Mancini: You came into Bendix Corporation from a different corporation and possibly were not aware of some of these circumstances when you came to the company?

Mr. E. C. Smith: I was still in the automotive business with a major supplier.

Mr. Mancini: You mentioned a term that I find interesting. You said there were some informal associations or something like that--that it was informal prior to May 28.

Mr. E. C. Smith: What I did there was to describe the formal closing, starting May 28. The analysis implying everything before that was informal is not informal in that sense. It is a normal part of our ongoing business and it is very formal. When I used the word "formal," I meant the increasingly higher levels of corporate management involved in the analyses.

Mr. Mancini: There are a couple of problems I am facing in understanding the procedure for closure. One of the problems that I have, and I know you have tried to answer it, is that it is very difficult for me and, I am sure, all members of the committee to understand that you, as president of the Canadian operations, would be given two weeks to close the plant; and that you, as president of the Canadian operations, would have no detailed, formal input prior to May 28 as to why the plant should not be closed, even with all due respect to the market conditions.

I don't believe you close down a plant of this magnitude, one that employs so many people with such a large investment by your company, without that. If it is done without the involvement of the Canadian president, then that means you are only here to carry out whatever instructions come from South Bend, Indiana, and that the Canadian market, the Ontario market really is not given its due consideration.

Mr. E. C. Smith: To take those in order: I was not given two weeks. On May 28 I was told that we had reached this formal decision-making point. I was given the opportunity to respond. I was able to do that within a two-week period. I was not given a minimum or maximum, or any kind of specific instructions, about timing. I was told: "Here are the data. These are the decisions to be made." I was given every opportunity to respond to those with anything that I thought could significantly alter a decision to close BAC, be it tangible or intangible.

I did. I was afforded the opportunity to do my very best to raise all of those issues that I thought were pertinent--quality of work force performance, motivation, objective data, intangible data. That does not take two weeks if you know what you are doing.

I responded to our corporate management. We jointly reviewed

all of the data available relative to brake and steering in South Bend to BAC, and took a second detailed look at the six-year planning arising for vacuum boosters and drum brakes. The bottom line of all of that was that the excess capacity was in place and had to be eliminated. Those redundant fixed costs had to be eliminated. That resulted in the closure of BAC.

Mr. Mancini: I am going to try one more time, Mr. Smith. You stated earlier that you are not naive and that you were not completely in the dark. Let's go back to that.

That being the case, that you are not naive and not completely in the dark--and we accept that--did you have any inkling prior to May 28 that the Prince Road plant would be closed? If you did, what did you do about it?

Mr. E. C. Smith: No, I did not. Prior to May, I was not--and I want to answer this very carefully--aware that the timing of a decision to close was that imminent. I was aware of the business circumstances that we have talked about now through four questions.

Mr. Mancini: Did you ever think in your own mind that the plant might be closed prior to the formal information of May 28? If you did have that thought, did you contact the bosses in South Bend and get their opinion on it?

Mr. E. C. Smith: No. As a matter of fact, I thought right to the last minute that I could present a convincing enough argument, particularly relative to the intangible pluses of BAC, to have that decision altered or not made at all. I was not successful in that mission.

Mr. Mancini: Well, no, because you never made the submission. On May 28, according to your testimony, you were informed, basically, that you were going to be the undertaker, that you were to make all the arrangements for the closure of the plant. You were brought into this company in February, it seems to me, to do some of the work that possibly the gentleman before you was unable or unwilling to do.

You were brought into the company as the Canadian president in February. You were aware of the market conditions. You made no attempt to contact the people in South Bend, Indiana, as to their opinions on the future of this particular plant from February to May 28. Then on May 28 you were formally informed that the plant was going to be closed during the week of June 16.

It appears to me as an observer on the outside that, basically, that is one of the reasons you were brought in, to close the plant.

Mr. E. C. Smith: Number one, in reply to your statement that I was not informed, I have stated clearly now three times that the May 28 meeting was not held to inform me of the June 16 closing date.

Well, in the first place, June 20 was the closing date. In

the second place, the May 28 meeting was not intended to inform me that a closure date had already been decided. Thirdly, I had constant contact with my management in South Bend, Indiana. We were located in Canada, but we were not separate from a functional point of view.

Mr. Mancini: In this constant contact, never once did they give the indication to you: "You had better be on guard, because we are having all kinds of difficulties with the corporation. You had better be wary because we may be sending you a notice that the Prince Road plant will be closing."

Mr. E. C. Smith: Your boardroom scenarios are much more exciting than mine. That is not how the business is run.

We were constantly dealing with meaningful data that showed a steadily deteriorating business situation across all the Bendix Automotive product lines. My more provincial interests, of course, were drum brakes and Mastervacs.

We did very detailed analyses in what we call operations reviews, monthly performance reviews, about where we were going and how we were performing in objective terms. There was marked alarm and concern throughout the whole of Bendix Automotive. There were many hundreds of people laid off, with reductions occurring in force at all Bendix Automotive locations.

We did not blissfully approach the date of May 28 only to be told: "You're it. You have two weeks to get something done." We were told May 28 that we had reached a level of performance problems and that we had reached a projected level of a very modest recovery over the next six years such that something had to be done.

I was then given every opportunity, as I have stated, to provide additional information, which I subsequently did. It happened that I was able to get that done quickly. We were living it. I had no problem putting together for my management a package of those points of view I thought should be reviewed, in addition to the hard-core financial data and the sales projection data. We got that done quickly.

In fact, I recommended the actual timing of the closing, because it did meet our customers' downtime schedules and all those things that are in the brief you have and to which I have already spoken.

The Acting Chairman (Mr. Cureatz): Mr. Mancini, I had requested a supplementary just prior to the chairman's leaving.

Mr. Smith, my name is Mr. Cureatz. I am sorry I was late for this meeting. I was chairing another committee.

11:40 a.m.

I have a supplementary along the lines of what Mr. Mancini has been discussing, in regard to your anticipation of the possible closing. It sounds like it has not been covered yet. If

it has been, I am sorry. It is my understanding that there was a union contract settled some five or six months prior to the closing.

Mr. E. C. Smith: We were in negotiations at the time the plant was closed.

The Acting Chairman: Oh, you were just in negotiations. Were there some indications that the things sought by the union would be met by the company? Was that relayed to the union at all? Or were they just preliminary negotiations?

Mr. E. C. Smith: If I remember rightly--and I could be wrong by a week or two--I believe we had been in negotiations for about 10 weeks at that time. That could be wrong--plus or minus something--but it was about that amount of time. Those were local negotiations between employee relations, personnel, myself and the bargaining committees from each of the unions. We did not see anything on the table at that point to indicate that we could not have achieved a settlement.

The Acting Chairman: I am trying to sort out in my own mind whether, in the past, negotiations between the company and the union had been on an amicable basis or not. It is my understanding that they had not been, but that in this case there seemed to be amicable negotiations. One could be led to think that possibly there was anticipation that you people would be closing down anyway, so it did not matter what you did in terms of negotiations.

Mr. E. C. Smith: I would have to state categorically that we did not anticipate closing and we were not going through the motions of a negotiation. If that is the implication, that is incorrect.

The history of labour relations in the BAC unit had involved significant work stoppages of weeks or months in five of the six previous contract settlement years--I believe it is five of six. There was a pattern of work interruption at contract time at BAC.

Work interruptions and labour problems are often just part of this business. That specific dimension to the business did not drive the decision to close or not to close. It is a factor that had to be considered, however, when you look at the alternative of having a sole source of drum brakes and Mastervacs in one location.

Mr. Sweeney: Mr. Chairman, I just want to pick up on a point that was raised earlier. If I understood correctly, Mr. Smith, in your earlier testimony you made mention of the fact that late in 1979 or early in 1980 there was some intimation that BAC could be in trouble, as part of your annual six-year review. You specifically zeroed in on that time frame.

Mr. E. C. Smith: When I mentioned late 1979 or early 1980, I was talking about the investments made in the new automatic assembly equipment for vacuum boosters. That time frame also was the beginning of the major reductions in force throughout all the facilities in the automotive control systems group.

Essentially, the whole of the 1980 model year was a problematic year for everybody. There was no unique problem associated with BAC and that market, however. It was affecting everyone.

Mr. Sweeney: Would it be fair to say that in the time frame--late 1979, early 1980--there was a beginning, at least, of an indication that BAC could be in trouble?

Mr. E. C. Smith: The beginning of an indication that the automotive section per se at Bendix was in trouble. Fine tuning that analysis through the spring of 1980--and we tend to be optimists and wishful thinkers in this business--all of the analysts and the car people themselves were projecting improved sales. Those were never realized. That was through that entire period.

Mr. Sweeney: Mr. Smith, I zero in on that particular--

The Acting Chairman: Mr. Sweeney, I take it you are still on a supplementary, in the same line of questioning.

Mr. Sweeney: Yes, the same line of questioning.

I zero in on that particular time frame in order to try to understand why a person with your background would have been made president of BAC in February 1980. I think we have seen a logical progression.

If there was some evidence at that time, if management-corporate decisions were being made in that time frame, and then a person with your background was brought in in February of 1980, immediately following it, could you help me to understand why such a corporate decision would be made?

Mr. E. C. Smith: To bring me in at that point in time?

Mr. Sweeney: Yes. Perhaps in responding you could give me some indication of your immediate previous background and the kinds of things you had done for the company that would lead us to understand why such a corporate decision was made. I am not trying to be cute about this. I am really trying to understand the progress of corporate decisions.

Mr. E. C. Smith: The superficial implication is that Earl Smith was hired to close BAC, and I can understand how that implication can be drawn. I can also assure you, from my personal point of view, that I would not have accepted a position to close a facility. That is not where Earl Smith is coming from. I would not have attempted the motivation methods and the management methods I applied at BAC in the few months I had before the closing decision, if I had been aware that the bottom line of those efforts would only have been to shepherd a plant closing.

The dynamics of this business, particularly in the last 24 months, have been extraordinary, going from good to extremely poor almost as a step function, incrementally rather than a downward or upward trend. It has been devastating to this business and it has required decision-making that may appear to be insidious. The

implication is that it is insidious. That is simply not the case.

We had little or no warning. Neither did our customers who are one of our principal sources of market intelligence, our customers themselves. None of us had the kind of normal warning, normal danger signals, if you will, that would have allowed us to anticipate the level of deterioration of the North American vehicle market. There was a series of very difficult and very hurtful circumstances in which we all found ourselves cast.

I can assure you, from the point of view of my personal integrity, that I would not have accepted the assignment as president and general manager of Bendix Automotive of Canada if that assignment had been defined initially as closing that organization.

Mr. Mancini: Mr. Chairman, I have tried several times to get in a line of questioning. I think my good nature has been taken advantage of. We have had a tremendous number of supplementaries. I do not mind a supplementary or two, and I do not mind Mr. Mackenzie putting his supplementaries, but I do want to get back to my questions.

The Acting Chairman: I think that is fair. Mr. Sweeney, I think you can appreciate that. If you would like to be put on the list, I think that would be appropriate.

We will hear Mr. Mackenzie's supplementary and then go back to Mr. Mancini.

Mr. Mackenzie: My supplementary is directly related to Mr. Mancini's line of questioning.

You have to forgive me for a little bit of a credibility gap, Mr. Smith. When Mr. Mancini asked you and then I asked you, you told us that you did not find it untoward that you were given two weeks' notice to tell them why they should not shut down the plant; that anybody who knew his business, in effect, would make that kind of a decision based on the information you had, and that you had been getting the product studies or rationalization studies.

Then you told us, in response to a direct question he asked you about whether you were sent over there to operate the plant or to shut it down, that, no, that was not the case. You also told us you thought you could turn it around, that you did not expect to be told to shut it down.

I do not know how you can say you were surprised on May 28 at the orders to shut it down, that you did not expect it to be shut down and that you thought you could keep it operating, in view of the information that you tell us you had that made it very easy for you to accept the two weeks' notice to shut the damned plant down.

Mr. E. C. Smith: Let me amplify that. I want to state again that I did not get two weeks' notice. On May 28, I was told

that the focus of closing decisions had narrowed to BAC and I was given an opportunity.

Mr. Mackenzie: Until June 16.

Mr. E. C. Smith: No, I was given an opportunity. We were able to accomplish the part of my assignment related to attempting to refute or rebut the decision to close quickly enough that I was then able to recommend that closing date.

Just for the record, I was not given two weeks to save BAC. I was given notice that there was a potential decision to close BAC, and asked if there was anything else that could be done. That is not naive or pie in the sky. There is more than one way--many ways--to operate a manufacturing organization. One of them is extremely lean, with the absolute minimum amount of support personnel, minimum amount of supervision, carving slices out of overhead, if you will, in a fashion that makes an operation painful and difficult to operate but significantly reduces cost. You would not, as a manager, generally take that action unless the alternative was not to be there at all.

With the notice given, that decision was narrowing rapidly. We had time to demonstrate what kind of extraordinary cost reduction could occur, what, if anything, else we could do, and to describe the intangible reasons for staying at BAC versus any of the alternatives.

11:50 a.m.

I do know my business, and I got that done quickly enough and presented it and had every opportunity to present it at all levels of Bendix corporate management, and had to satisfy myself, and I did, that the decision to close BAC was the only reasonable and practical one under the circumstances. That led to a June 20 notification to the employees.

Mr. Mackenzie: I hope in completing your answers to Mr. Mancini's questions, you can tell us what it was on May 17, or any day prior to that, that had you so confident you could turn it around and keep it operating and not to expect a shutdown, that what additional information allowed you to change. If you were an efficient manager on May 17, what additional information allowed you to change your mind two weeks later?

Mr. E. C. Smith: I understand it. That is a very fair question and I will try to answer it since it is your question. We are allowed, as an operations manager, a general manager, the opportunity to be a bit provincial, to look at our own assignment regardless of the impact on maintaining that assignment may have on the entire corporation. I was confident that I could demonstrate through proper knowledgeable management actions the kinds of cost reduction in BAC that would allow it to enjoy its June level of business and still be marginally profitable. That was my challenge.

I felt then profoundly, and still do today, and it was part of my response after the May 28 notice, that, yes, that could be

done, that we could get very close to a break-even point at that level of business that we were projecting at that point, but facts unbeknownst to me, except in very general terms, is what the impact of operating BAC at that level of activity was having or would have on the brake and steering division in South Bend, Indiana, two facilities, both minimally utilized, with much greater losses associated with that state of events in Indiana than in Windsor.

When you look at the overview, what is best for all of Bendix Automotive and for the corporation, and therefore shareholders and so on, then the decision to close BAC became the obvious one.

Mr. Mancini: Mr. Smith, let us try it from a different angle. You were brought into this corporation in February. I am sorry I forgot to ask from what other company did you transfer?

Mr. E. C. Smith: Is that really pertinent?

Mr. Mancini: Yes, sir.

Mr. E. C. Smith: From the Federal Screw Works Division in Detroit. That is a separate company.

Mr. Mancini: Is that a big operation there?

Mr. E. C. Smith: If you describe big in terms of sales, that is about a \$25 million organization.

Mr. Mancini: Did you go through any closures there?

Mr. E. C. Smith: No.

Mr. Mancini: So this is your first experience then of closing down a major facility?

Mr. E. C. Smith: Yes. The implications being drawn here in these questions are extraordinary.

Mr. Mancini: It is okay, you can answer them in any way you see fit. It is a public hearing and one of our mandates is to get as much information as possible so that we can come to very reasonable conclusions, and unless we ask these questions--I am sure your attorney when he is in court has to ask many questions because he may have some theories in his own mind, and possibly at some time or other the person being questioned might not think that they are relevant, but to the questioner they are.

Mr. E. C. Smith: I guess what I mean to say is that my professional claims to fame, if I have any, are not associated with closing plants.

Mr. Mancini: That is very good, Mr. Smith, I am glad to hear that.

Mr. Chairman: I wonder if I might--I know you and other members of the committee like me to do this from time to

time--draw to the attention of you and your colleagues the time. It is now five to 12. You did begin a line of questioning which was interrupted on a number of occasions by supplementaries at 11:05. Mr. Mackenzie and Mr. Martel are on the list and we have 35 minutes left.

I just share that with you and your colleagues.

Mr. Mancini: Are we sitting this afternoon, Mr. Chairman?

Mr. Chairman: We have the UAW people and another gentleman from the Windsor area to hear from this afternoon.

Mr. Mancini: The only reason I am being so lengthy, Mr. Chairman, is that the plant is close to my riding.

Mr. Chairman: Certainly, and we all respect that. I know that you are not seated in a position to see the clock.

Mr. O'Neil: Are we sitting until 12:30 or 12?

Mr. Chairman: Until 12:30.

Mr. Mancini: You were brought into the company in February. You have already acknowledged that you are a highly skilled person and you know your business well. We accept that fact. Were you required to make monthly reports or biweekly reports of the operation of the Prince Road plant to the headquarters in Indiana, and was your opinion of these reports one that the Prince Road plant could remain open and that all of the new techniques that you were bringing in were going to ensure that?

Mr. E. C. Smith: Yes, I was required to report monthly and quarterly to the corporation. Yes, I was optimistic that we could optimize the performance of that unit to where it would be superior to its performance in the past. I was very sincere about that and I still believe that could have happened. I think that was the content of your question.

Mr. Mancini: So you would send in these reports at the end of the month, and would you get a response as to your reports? Would you get a telephone call or a memo saying they had been received, with some confidence?

Mr. E. C. Smith: The other general managers in the automotive control systems group and I met with our superior on a monthly basis in South Bend.

Mr. Mancini: And never on any occasion during these meetings that you had after your monthly reports was it told to you in fairly straight terms that, "We appreciate what you are doing down there in Windsor but it does not look as if you are going to be able to pull it out and possibly some dire circumstances are going to be the result of that"?

Mr. E. C. Smith: Not that specific dialogue, no. That is a categorical no.

Mr. Mancini: How unspecific was it?

Mr. E. C. Smith: As normal management drill, we each would present our performance responses to those measurement parameters that we are required to address ourselves to, each in turn. It was clear to all of the general managers around the conference table that nobody's financial performance was satisfactory and that nobody's projected sales or projected financial performance was satisfactory.

I guess there is a little of that guy in each of us that says we are going to survive anyway, that by demonstrating--at least that was my point of view--superior performance under the circumstances of a severely depressed market, that the resources evidenced in that performance would be maintained within the corporation. They were not. They were not because the losses and the projections were so significant that more major action than normal had to occur.

We would ride out a short-term storm. If we had seen this market blip as a blip, going to come back for, say, a model year 1981 to nearly the levels of prior years, we would ride it out, but when our planning horizon, our straplan--strategic planning, as it is called--projected that would not occur, for the first time in the history of our strategic planning, that the market would not return in the fashions that it has in history, more overt and more dramatic action had to be taken.

Mr. Mancini: Was the Prince Road plant profitable?

Mr. E. C. Smith: Yes, it was, in all of the years prior to fiscal 1980, the current year we were in.

Mr. Mancini: Could we go back say to 1975 and would you have, just off the cuff, some information as to the profit figures for the Prince Road plant?

Mr. E. C. Smith: General figures, round figures, but I can assure you it was profitable in 1975. When I say it has always been profitable, I mean in the reasonable term, your term that I am familiar with.

Mr. Chairman: You and your committee colleagues and I collectively share a problem, your two committee colleagues wishing to question. You have had just about one hour and there are 30 minutes left in this session.

12 noon

Mr. Mancini: If my time has run out I would just like to say for the record to Mr. Smith that this committee has been sitting now for approximately three weeks and we have heard from many companies as to their reasons for plant closures. I find this to be the most unusual one we have had to deal with for several reasons: One, the plant that was closed, the existing plant structure, was in good condition, the equipment was A-1, the plant itself was in a good profit-making position and also the time frame in which you had to deal with the closure, this really makes

it the most unusual plant closure that this committee has had to deal with.

If you find that we are a little bit sceptical, those are the reasons why I am a little sceptical at this moment, because the others that we have dealt with, there was usually some more lead time, the corporation could usually show that there was a loss at the plant that they closed and there was a lot of other interaction between the Canadian company and the American parent. We have seen none of that in this closure and, although my time for questioning has expired, maybe I will be able to get in on some supplementaries, Mr. Chairman.

I find it highly unusual and I am not satisfied to date that the closure was justified. I will just leave it like that.

Mr. E. C. Smith: Might I add a comment? You really cannot look at BAC uniquely in that sense. Bendix Automotive is looking at the total automotive operation and you kind of have to look at, as a practical matter, what closing and moving that facility meant.

The kind of manufacturing operations that occurred there, light assembling and test of vacuum boosters and drum brakes, is relatively easily moved as a practical matter. We did have completely redundant facilities. That is an unusual circumstance in its own light compared to most companies where we had alternatives. So you have the circumstance where you have a place to move to, you have a readily easily moved manufacturing process and you have a dramatically deteriorating business situation and a key time frame of a customer schedule shutdowns that allows you to do it without a delivery interruption.

There are many more. We could really probably discuss that issue for days, about the strategic value of the timing that was selected.

Mr. Chairman: Thank you, Mr. Smith. I have a brief announcement. I have left the chair on two or three occasions to speak to some of the corporate people in Dearborn, United Technologies, the parent company for Essex International. We will have two representatives from that company here with us Tuesday afternoon next.

On the motion that I ask the Speaker to issue the warrant to Meanwell and Goodwin, I think is the accounting firm, I would ask the committee that we wait until Tuesday on that matter. I am in the hands of the committee on it, but that would be my request.

Mr. Martel: Mr. Chairman, it is intriguing how we have not been able to nudge them to come across from November 7 until December 3, but promptly, once you put a Speaker's warrant out, they were able to find the right people at last. It is amazing.

I am not sure I am prepared to forgo the Speaker's warrant to the accountants because they have been less than co-operative. It has been only when they were threatened with the Speaker's warrant to their auditors were they prepared to find people to

come and talk to us. To hell with them.

Mr. Mancini: I support Mr. Martel's views, but of course my language is not quite as outspoken as his, Mr. Chairman. I support in general principle what Mr. Martel is saying.

We have tried for a long time to get these people before us and I think these documents are going to have to be requested anyway. We saw earlier that it is corporate policy in some companies not to give these documents freely and in order that we get on with our work as quickly as possible I think the motion should stand as passed.

Mr. Chairman: Yes. Mine was a request. The motion was made and it was passed yesterday. It is clear that I, today, ask the Speaker to issue a warrant to the Canadian accounting firm.

I do wish though to have a clear consensus from the committee. We have had Mr. Martel from the New Democratic Party speak to the matter; Mr. Mancini, representing his Liberal caucus. Is there a comment from the Conservative members?

Mr. Ramsay: My feelings are exactly the same as they were yesterday. I agree with the intent. I do not agree with the mechanism or the procedures of placing the warrant against the accounting firm.

I would personally like to follow along with your suggestion of holding off on the warrant until these gentlemen are with us on Tuesday. At that time Mr. Martel will be able to ascertain whether or not he has got the information that he desires.

Mr. Turner: It is fair to say they should be given the opportunity of appearing and see what they have to say, and then make the decision. I would support that.

Mr. Chairman: It helps the chair, as you well know. Would either one of you gentlemen make a motion to that effect and we will vote on that?

Mr. Ramsay: I so move.

Mr. Martel: Just hold it a moment. Just hang on. Get Mancini and I will stall here.

Do you all have a voting delegate here? Well, get Mancini back, all right?

Mr. Chairman, I will stall that if you want. If we are going to play games, I can play them all.

Mr. Chairman: No.

Mr. Martel: If you want to move a motion it will be three to two because we will get Mancini back and both parties have indicated where they want to go. If you want, I can stall for the next half hour.

Mr. Chairman: There is no question about your expertise.

Mr. Turner: You demonstrated that very well last night.

Mr. Martel: That is right. And I do not want to play the game.

Mr. Turner: We are not playing games.

Mr. Martel: But I can play them if you want to.

Mr. Turner: We have noticed that. You do it very well, Elie. But let me assure you we are not going to--

Mr. Mackenzie: I find it a little difficult, when the company refused, right back to what, the sixth or eighth of last month?

Mr. Chairman: It was November 7.

Mr. Mackenzie: November 7--to come here in spite of repeated requests and repeated excuses. I do not know who you have got coming as it is now, in any event, or what actual authority they have. The warrant is for the doggone books and the financial records from the auditors. I think it should stand as well.

If we had had even a semblance of co-operation long before this--because it is not a one or two time call; it is repeated efforts by the clerk of this committee, and all of a sudden, only on the basis of the Speaker's warrant going before the House, we get two unnamed officials from Detroit. That is simply not good enough, Mr. Chairman.

Mr. Chairman: Points have been made. I stand by the determination of the chair to have a motion to that effect.

Mr. Martel: Go ahead, but I will stall it until Mr. Mancini comes back, then we can vote. If you want to go through that charade so we cannot question the witnesses, that is fine, but I am just not prepared to see that sort of game go on.

Mr. Chairman: I think we could very well carry on.

Very simply, to the matter that Remo spoke to just before he left, there is a motion made that we, in fact, do not--the chair wants clear direction on this motion that we not proceed ahead with the request for a Speaker's warrant until we have heard from the representatives from the company.

The motion has been made. All those in favour of the motion? Two.

Those opposed? Three.

Motion negatived.

Mr. Chairman: Thank you very much. The motion is defeated and the chair will approach the Speaker.

Back to the list. We have Mr. Mackenzie and Mr. Martel.

Mr. Mackenzie: I will try to be quick and brief with them, but I am interested in a number of things. The pension arrangements that you outlined to us in some detail; were not most of the provisions in those pension arrangements provisions which were already there as a result of the negotiated pension plans with the union?

Mr. E. C. Smith: In the case of both bargaining units, yes, they were. The point in me addressing myself to those is to show we fully discharged those responsibilities and more.

Mr. Mackenzie: I understand and have no argument with the fact that you fully discharged the responsibilities. The point I am making is that you were giving no additional money in it; that you, in effect, had already given that to the employees as a result of contract negotiations.

Mr. E. C. Smith: To that fact, we did add; there were, I believe, 13 extraordinary circumstances where individual employees near the minimums for pension vesting of funding were allowed to vest or fund. Those, in that sense, are extraordinary moneys and the payout, if you will, the lump sum arrangements to employees 45 years of age or younger with less than 10 years' service, that is an extraordinary circumstance too.

Mr. Mackenzie: Have you a figure that you can put on that?

Mr. Smith: Well, the total of all of that--

12:10 p.m.

Mr. Mackenzie: No, the funds you had to put in that were not already there as a result of negotiations with the union.

The 13 extraordinary situations, if that costs you extra money, and the 45 payout. How much money in addition did the company have to put into that?

Mr. E. C. Smith: I only know the total, I'm sorry.

Mr. Mackenzie: That would not be a large amount though, in those conditions.

Mr. E. C. Smith: No.

Mr. Mackenzie: Did your company receive a \$500,000 overpayment to the pension funds, refunded to the corporation?

Mr. E. C. Smith: I don't know.

Mr. Mackenzie: Can you find that out for us?

Mr. E. C. Smith: I'm sure I could. I am not sure if our corporation would want to address that issue. If that occurred, the only way it can occur is to have the pension fully funded or

overfunded. If that were the case then there would be some refund.

Mr. Mackenzie: What severance pay did hourly rated employees get at the shutdown of the plant?

Mr. E. C. Smith: They received only the statutorily required 12 weeks' notice pay.

Mr. Mackenzie: So there was no severance pay at all?

Mr. E. C. Smith: No additional severance pay, that is correct.

Mr. Mackenzie: In effect, it cost you whatever few additional dollars are involved in the pension setup. I think you said a cost of \$1.8 million in your presentation to us?

Mr. E. C. Smith: Yes, there I was trying to underscore what we perceive to be the merit of the decision to close and allow people to leave and seek other employment. Paying the 12 weeks' notice to the bargaining unit resulted in a \$1.8 million cost that normally would not have been a specific cost. We would have operated for three more months.

We are not trying to make a major issue of that. We are just trying to identify that that was a very meaningful decision with a significant price tag.

Mr. Mackenzie: Well, there's another side or another way you could look at, if you will forgive me, Mr. Smith, and that is that it cost you whatever additional moneys were in the pension plans, plus \$1.8 million to get out, and 600 workers are the result of that in a plant you say yourself is a financially viable plant.

Mr. E. C. Smith: The census at the time of closing was 225, for the record.

Mr. Mackenzie: Well, 225 is bad enough.

Mr. E. C. Smith: Yes, it is.

Mr. Mackenzie: I have some difficulty also in understanding your problems; that the market hit, that is something that none of us could ignore in terms of the sizing and the energy problems. But also, I clearly heard you say that the company, which you stressed is an efficient operation--I don't doubt that for a minute. I don't doubt the expertise on your own part. Whether I like it or not, I am impressed with the fact that you put some of the things up front, including the total corporate rationalization. It makes it very obvious why the decisions were made. That is where, I guess, we have some differences.

But I find it very difficult to understand how, with six-year planning, and in some cases 10 if I heard you correctly, we get into this particular situation that we have such a sudden decision to make in terms of closing the Windsor plant. What I have difficulty with I guess, is how all of a sudden, in a company

that is efficient and plans on a six-year basis, we end up with a tremendous overcapacity between the Windsor plant and the South Bend plant.

Mr. E. C. Smith: Yes, that is a reasonable question--I am not implying that previous ones were not.

It has always been in the best interests of an automotive supplier to have, to some degree, backup production capacity. Some of our customers in fact, will even pay extra for that, from a work interruption protection point of view or any other manufacturing aspect.

It was in our best interest to have the expertise in more than one location--for I think obvious reasons; there were many tangible and intangible reasons to have an operation in Canada as well. The exchange rate was one, Canadian content, desires by our customers is another. That list is rather extensive. All of these factors were taken into account when the decisions were made.

Mr. Mackenzie: It is to your advantage to have that overproduction. In terms of when it is financially profitable or for purposes of protecting your market, it is useful to have that kind of an overproduction?

Mr. E. C. Smith: It is always reasonable to have a reserve. When the reserve though reaches the level where it is greater than 100 per cent of the capacity of any given unit, then you don't have backup capacity, you have redundant fixed costs.

Mr. Mackenzie: I noticed also that you said you had reached the point where 100 per cent capacity in terms of supplying the market could be reached in the South Bend plant.

Mr. E. C. Smith: That is correct.

Mr. Mackenzie: I assume, even though you may have found it useful to have two plants that could produce the parts, that some of the corporate planning and rationalization--it was strictly a rationalization decision--would be to see that South Bend plant had the capacity to handle the market.

Mr. E. C. Smith: Not because it was in South Bend.

Mr. Mackenzie: But it was the major plant?

Mr. E. C. Smith: You see, the vacuum booster and drum brake portion of South Bend is only a part of South Bend. It has a major stamping facility, it manufactures many products that we did not manufacture at BAC. When you do the production rationalization and look for the potential to eliminate redundant facilities, you also must look at how can you eliminate them.

Mr. Mackenzie: But you had the capacity to produce for 100 per cent of the market if you wanted to utilize it in that plant?

Mr. E. C. Smith: Yes we did.

Mr. Mackenzie: And that is always a financially better operation for the company if they can do it?

Mr. E. C. Smith: Yes, if it can be managed well in one location, that is correct.

Mr. Mackenzie: The bottom line, and I must tell you that while I disagree, I appreciated it in the decision, was an overall Bendix rationalization. In other words, what made the decision to close the Windsor plant had nothing to do with Windsor or the employees. And I am talking about the effects as well that had to do with the bottom line profit for the Bendix Corporation.

Mr. E. C. Smith: Yes, that is correct.

Mr. Mackenzie: Do you find that totally acceptable in terms of corporate responsibility, or good corporate citizenship? There is a community, there was a fair investment in Windsor in that. There was certainly a large investment in workers.

Mr. E. C. Smith: There was also a significant 59-year history of contribution to the community by the Bendix Corporation.

I would never cast myself in the role of apologizing for proper management actions. When we look at the definition of management and what our responsibilities are, when we look at the potential, for example, the automotive industry is not the high flying growth, high rate of return kind of industry that many others are. Those of us that are in automotive within Bendix, or in automotive per se, want to stay that way. We cannot preserve our automotive participation, penetration, if we allow ourselves to make decisions that erode the performance of Bendix Automotive overall.

Mr. Mackenzie: Mr. Smith, I suggest that you were a little bit apologetic, even though you said you never would be, when you offered us the argument that you had paid your dues through 59 years of operation there. That does not mean that because you have been there 59 years and provided the employment, you can suddenly make a decision. And I really have to wonder if the decision was that sudden.

Mr. E. C. Smith: I think the point I was trying to make was that we were not a company to move in, reap meaningful significant profits and move out in a short-term, uncaring, unfeeling way. We were a substantial corporate citizen in Windsor for many years.

Mr. Mackenzie: Did you infer in your comments, Mr. Smith, that workers' militancy if you like--that was not your term--but the strike and contractual problems that you were having were also part of the equation that the company considered in deciding to move?

Mr. E. C. Smith: Well the labour relations are always part of the consideration. The fact that we have had work interruptions is part of a difficult scenario and if you are

looking at the question of all your eggs in one basket, it becomes more paramount. But having labour relations problems and a good contractual bargaining relationship, good, poor or whatever, is part of the business of being in the automotive business. That, in itself, would not have rendered the decision to close BAC.

Mr. Mackenzie: Did you have the figures in the last question that was asked by Mr. Mancini for the profits for the Prince Road plant? I noticed you looking at a document.

Mr. E. C. Smith: I think you asked 1975 and I did not have 1975. In round terms, and I used here--

Mr. Mackenzie: Rather than go into them, can I asked that that be filed with the clerk of the committee?

Mr. E. C. Smith: This is full of my personal comments and I think rather not. But I can certainly give you these general kinds of profit--

Mr. Mackenzie: Can you give them to us with your personal comments removed?

Mr. E. C. Smith: That is what I am trying to do now. Profit after tax--I was led to believe that is the kind of numbers that you are interested in. From 1976 through 1979, we were profitable in those four years to the order of magnitude--after tax now--of about \$3 million in 1976, \$2 million in 1977, \$1.3 million in 1978 and \$3.2 million in 1979. These are our fiscal years, by the way. And in fiscal year 1980 we were decidedly unprofitable.

Mr. Mancini: Could I have one short supplementary, Bob?

Then those figures indicate that in your most profitable year prior to closing, the decision of closure was made?

Mr. E. C. Smith: Well, 1979 compares to 1976. It was \$3.3 million in 1976 and \$3.2 million in 1979.

12:20 p.m.

Mr. Mancini: Okay, well close to your most profitable year. You don't find that unusual, Mr. Smith?

Mr. E. C. Smith: What we find unusual is the difference between 1979 and 1980. That is the step function I referred to earlier, a completely unanticipated step function.

Mr. Mackenzie: I have one final question so my colleague can get in for at least a few minutes Mr. Chairman, and that is, does the company have an internal document for study that was done on the layoff or matters relating to the layoff? Is there an internal corporate document of Bendix?

Mr. E. C. Smith: I am not sure that I am fully understanding your question.

Mr. Mackenzie: I just have been told that there is an internal company document in terms of the plant shutdown, whether it is procedures or what happens or how you go about it I don't know. I am just simply asking you if there is an internal document in terms of the shutdown of the Bendix Corporation?

Mr. E. C. Smith: A policy document, or directions?

Mr. Mackenzie: Policy, directions, planning?

Mr. E. C. Smith: No, there is not.

Mr. Mackenzie: There is no internal document that relates to the shutdown operation?

Mr. E. C. Smith: No, there is not. As a matter of fact we fumbled around some and perhaps that is not to our discredit. We have done a much better job of opening and investing in facilities and running them well than we have had experience in closing them.

Mr. Martel: I have listened carefully for most of the day, but I am not satisfied with the documentation with respect to finances. I think we have to have a much more detailed financial statement. I think it should extend for 10 years, the last 10 years, indicating all of your financial matters as they relate to the companies which you closed.

I looked at some material we have and it is in Bendix Automotive Canada Limited as of September 30, 1979, assets, sales, net income, rate of return 19 per cent. I just wanted to know, and the only way we can do that is to have full documentation on all your financial transactions with respect to the two plants that you have closed. Is that possible to obtain?

Mr. E. C. Smith: We would be glad to provide that information that is in the public domain that we normally provide. But our company policy prohibits--as a matter of fact I got very close to bordering on violating it with the numbers that I have already provided. Our company policy prohibits providing specific operations information or anything beyond that that is in the annual financial statement.

Mr. Renwick: Mr. Chairman, do we have a copy of the motion?

Mr. Martel: Yes, with respect to Essex and Armstrong Cork.

Mr. Renwick: What I would like to do is just informally, if I may, just read that--if we have a copy of it here--read what we would be asking and then ask you to respond as to what problems this causes you.

We always much prefer to do things by way of co-operation, and I was unfortunately detained in another committee this morning and I came in at the last minute, and I will just have to read the comments that you have made. But, in line with what my colleague

was saying, we would be asking for the financial statements for each of the fiscal years 1971 to 1979, or 1970 to 1979 inclusive, and if available for 1980, required by the Canada Business Corporations Act.

Is your company under the Canada Business Corporations Act? Well, whatever it is, required by whatever the appropriate business corporations act is--to be laid before the annual meeting of shareholders, and the auditors' reports thereon, and all auditors' working papers in connection therewith. And it would be addressed to you, to the company, and would be addressed to your auditors. Does that pose--

Mr. E. C. Smith: It does here for me today. As an employee of the Bendix Corporation I cannot agree to provide data beyond that which is normally in the public domain; the annual financial statements of the Bendix Corporation--and I must confess that I am not aware of what information, in Canada, relative to Bendix Automotive of Canada, is in the public domain. But whatever there is, that, of course, is available.

Mr. Renwick: And the other aspect of it, is it possible to break out the Windsor operations?

Mr. E. C. Smith: From the information that I just described?

Mr. Renwick: From the financial statements.

Mr. E. C. Smith: No, it is not.

Mr. Renwick: That would only show in the auditor's working papers.

Mr. Mancini: Could I just make a comment?

Mr. Renwick: In just a half a second. What I wanted to do is to just say that if it is possible for you to get this by co-operation, then we would much prefer to do it that way.

Mr. E. C. Smith: As would we and that is why we are here today.

Mr. Renwick: Yes.

Mr. E. C. Smith: But the question is more easily stated than it is responded to. It is a pretty profound question for a corporation like Bendix to provide individual unit performance data or the auditor's information. As a matter of fact, I do not know if there is any precedent for Bendix having done that.

Mr. Renwick: Could you consult about that and let the chairman know whether you would be in a position to comply?

Mr. E. C. Smith: Yes.

Mr. Renwick: Then we would have to take under consideration the question of whether or not we would have to ask

for a warrant and whether to obtain the documents that we want.

Mr. Chairman: Thank you, Mr. Renwick.

Mr. Martel, if you would permit, three members of the committee each have one question, Mr. Turner, Mr. Mancini and Mr. Sweeney.

Mr. Martel: I have only asked one question, Mr. Chairman. For Christ's sake, I have been here for--Jesus.

Mr. Chairman: You have so stimulated your colleagues that you have set up a chain reaction.

Mr. Turner: Having regard for Mr. Martel, I will forgo.

Mr. Mancini: I just wanted to ask--

Mr. Chairman: The regard does not extend that far?

Mr. Mancini: We have high regard for Mr. Martel. I just wanted to ask, Mr. Renwick, in the past we have always issued a Speaker's warrant when we were unable to get the figures concerning the profit. I was wondering that not being the case today what other information you were looking for within the annual statements?

Mr. E. C. Smith: If I might, I have had no problem with the very straightforward statement that this operation was eminently profitable for the time period that you are interested in. There was no--

Mr. Martel: Did you say "imminently"?

Mr. E. C. Smith: I should be careful about that.

Mr. Martel: I just want to know.

Mr. E. C. Smith: There were no exceptions to that profit pattern in BAC over the 10-year history. The decision to close the plant was made on the basis of the production rationalization we have described.

It is not a profit matter at BAC per se that drives this issue. It would have become so if it had been allowed to continue to run in an under-utilized fashion. It begs the question, if you will, and we have no problem with the statement that we have already made that the facility was profitable.

Mr. Sweeney: You indicated that Indiana could supply 100 per cent of the projected market. What per cent of the projected market could BAC supply in full production?

Mr. E. C. Smith: Of the vacuum booster production, or the sales that we identified for FY '80, it could have also produced, in gross volume, 100 per cent of the vacuum boosters. As a practical matter, that is not a totally correct statement because there are some mixed problems that would have needed some

equipment to move back and forth.

In drum brakes, we could have provided about half of that volume.

Mr. Martel: Having listened to you carefully this morning, the ultimate decision to close was really made in the United States.

Mr. E. C. Smith: Ultimately, within Bendix, any decision to close would be made in the United States. The board of directors is there and that is their problem.

Mr. Martel: Are there any Canadians on that board?

Mr. E. C. Smith: I know I should know the answer to that and I do not. There is an oversight.

Mr. Martel: Why did you refuse to participate in the manpower adjustment committee? I think you held a one-day seminar or something to that effect. You employed someone to assist people to relocate, if I understand the situation, or were prepared to advise them on how to present themselves.

Mr. E. C. Smith: Yes. We had hired consultants who were specialists in that field of resume preparation, interview counselling and those kinds of things. I am trying to recall what it is that we refused to do.

12:30 p.m.

Mr. Martel: You refused the employment manpower adjustment committee in a letter you wrote. You out-and-out refused to participate in that. I have it--a letter dated to Manpower Consultant Services, Earl C. Smith--and you state in your undertaking to account all of the factors: "I do not feel that the formation of a manpower adjustment committee would be productive at this juncture."

Mr. E. C. Smith: That was maybe September? October?

Mr. Martel: September 26, 1980.

Mr. E. C. Smith: In that instance, we felt that we had already funded and made available those kinds of services and that this would have been redundant to what we had already done.

Mr. Martel: Then tell me what you did. How many of the men now laid off, do you know, have employment?

Mr. E. C. Smith: I do not know.

Mr. Martel: You do not know. But then you tell us in a letter--or you just told me that you did not think that it could be of any value.

Mr. E. C. Smith: Our understanding at the time that letter was prepared was that it was essentially a duplication of

the effort that we had already funded and made available that was not utilized by very many of the employees.

Mr. Martel: Do you think a one-day seminar was going to help anybody find a bloody job?

Mr. E. C. Smith: Our consultants thought so.

Mr. Martel: Your consultants thought--with how many people laid off in Windsor right now?

Mr. E. C. Smith: I guess it is 20 per cent.

Mr. Martel: Twenty thousand, and a one-day seminar was going to help--how many employees do you have?

Mr. E. C. Smith: We had laid off 161 as of the June 18 closing and 220 at closing.

Mr. Martel: And in total though, with both plants?

Mr. E. C. Smith: Now you are going back over a period of time.

Mr. Martel: All right.

Mr. E. C. Smith: The highest employment level at BAC in 1977 was 810 people.

Mr. Martel: And you felt that with 20,000 people laid off in Windsor, most of the people related to the auto industry, that a one-day seminar would assist in finding alternative sources of employment. That is what you are telling me?

Mr. E. C. Smith: No. What I am telling you is that what our consultants identified for us as the things that we could do, we did all those things, even if we felt objectively that the potential for them to be meaningfully successful was not very high, recognizing that people do not want to leave the communities they have lived in, and so on.

Mr. Martel: With so many other plants closing down in Ontario too that would be a deterrent, would it not? There are no alternative sources of employment in the province.

The irony of it is we had Armstrong Cork in a couple of weeks ago and I think the manpower adjustment committee they had placed a laid-off worker. Do you know where they placed him? Would you like to guess?

Mr. E. C. Smith: In Windsor.

Mr. Martel: In Windsor. That was the welder. Jesus Christ. It blows my mind that--in all of this, I've listened very carefully to what you have said. You talked about moral obligation. Do you feel there is a--you have made profit every year up until, I guess--including this year.

Mr. E. C. Smith: No, not including this year.

Mr. Martel: Not including this year. We will find out in your financial statement. But you made eminent profit all these years. All of a sudden a decision to dump workers on the scrap heap in a municipality where there are already 20,000 people minus, plus a few, is that morally acceptable?

Mr. E. C. Smith: There is no way that I would attempt to describe the circumstances of the unemployment levels in Windsor as satisfactory.

Mr. Martel: No, but in several places in your statement, you indicated the morality of your position. I find it difficult to accept any morality in a position when a company has made substantial profits over a number of years and the first year that they might show, or they might have one or two bad years, we just shut the door and walk away.

Mr. E. C. Smith: In those same years when we were profitable, we were also providing employment for very large numbers of people, extensive benefits and payroll--

Mr. Martel: They were also providing profit for your corporation.

Mr. E. C. Smith: That is the free enterprise system.

Mr. Martel: Yes. As you understand it. It is a free enterprise system in France too and companies do not walk away like you walked away. They cannot close the door without getting permission from the government. And they seem to be thriving. West Germany has tough labour legislation people.

It seems that morality only remains as long as there is profit.

Mr. E. C. Smith: I am not sure and I am not privy to the statistics you refer to in France and Germany. But there just may be additional incentives available to offset the (inaudible) costs.

Mr. Martel: What do you mean by "incentives"?

Mr. E. C. Smith: I am not sure. You had made the point that the restrictive legislation on closing--

Mr. Martel: You used the term that there might be incentives to keep them there and that is a hypothetical statement by you. Give me a hypothetical incentive.

Mr. E. C. Smith: Tax support.

Mr. Martel: Tax support. I think you were successful--

Mr. E. C. Smith: That is hypothetical.

Mr. Martel: Yes. And I think you got some \$3 million in Canada from the federal government in the last three years. I

suppose on your equipment that you have taken out of Canada, there was a tax write-off on that, and maybe some of the fast write-offs under the federal legislation which allowed for rapid write-offs. Those are incentives, are they not?

Mr. E. C. Smith: Yes. They are.

Mr. Martel: How much incentive do you need to keep a municipality alive? You see, what I am coming to is is there no moral responsibility on corporations in our society, particularly if they have made a lot--I can see companies losing a lot of money year after year. They cannot stay in business. You have got to make money. But where does it start? The first year you have a downturn you just walk away?

Mr. E. C. Smith: I think I stated clearly that if this had been perceived to be a very short-term blip in an otherwise relatively stable history, then we would have probably just--

Mr. Martel: There are going to be adjustments. The auto industry is going to have to adjust or they are going to get wiped out, the American auto industry. It has been slow off the starting mark to say the least.

Mr. E. C. Smith: Can I make a comment on a personal conviction?

Mr. Martel: Yes. Sure.

Mr. E. C. Smith: This is Earl Smith, not Bendix.

Mr. Martel: All right.

Mr. E. C. Smith: When you address the moral issues in these matters, and there are conscience problems associated with them--and there are--there is hurt; there are tears; there are people out of work and there is a lot of harm. You know that when you are hiring people there are smiles and such, the other side of the coin.

I have always preserved my integrity in these matters by concerning myself with the greatest good for the greater number. If we allow ourselves to make decisions about individual operations in the fashion that you project, to the detriment of the company, we will not survive in this business that we are in today. Many hundreds and even thousands of people can lose their jobs if we do not manage the business with the overall corporate wellbeing in mind.

Mr. Mackenzie: There has got to be some balance in that though, and that is what we are finding in this committee.

Mr. E. C. Smith: I think we try--and I do not mean to argue--

Mr. Martel: Is it not a fact though that in Europe, where the legislation is much tougher that the wellbeing of the

companies seems to prevail because they continue to exist? They would be wiped out.

We have had before us--I differ with my friend. He thinks you are the strangest company of them all. I do not find them all strange because I think they all act in the same way. It is a rationalization of production and the host country usually gets it in the ear in a decision made.

You have a choice, the United States or Canada, to close down an operation. You are exporting into the United States 98 per cent. It is much easier than--and I understand you have got a bigger capacity to produce in the United States and therefore you shut down the one in Canada.

Mr. E. C. Smith: But it certainly is not a nationalistic question. We did not shut down a Canadian plant because it was Canadian.

Mr. Martel: No, you had an option.

Mr. E. C. Smith: Yes.

Mr. Martel: You could shut down a Canadian plant or an American plant.

Mr. E. C. Smith: We could shut down one that produced only drum brakes and Mastervacs and achieve a complete elimination of cost, or we could shut down a very small portion--

Mr. Martel: But 98 per cent of your production, you said, was going into the United States.

Mr. E. C. Smith: Yes. That is correct.

Mr. Martel: The Americans are the greatest protectionists in the world historically, when it comes to protecting the Americans. And that is an historical fact. If you are going to retrench, the retrenchment always appears to be at the cost of the host country.

SKF Sweden decided to retrench. Zap! SKF in Ontario closes. Armstrong Cork was not making enough money. Zap! The Ontario operation closes. Outboard Marine decides they have to retrench and rationalize. Zingo! Away goes Peterborough. Because they will all be able to supply Canada from the company, except for SKF, in the United States. We become the end run, the fifty-first state of the union almost, in terms of equality about satisfying the Canadian market.

12:40 p.m.

That is also a fact of life, having spent four years on another select committee looking into it, that became evident in every field, whether it was cars, you name it, publishing of books, right down the line we can and do become the dumping area in terms of being able to satisfy the Canadian market from an American plant.

The numbers game is pretty obvious. There are 220 million maybe in the United States, 24 million in Canada, we just become another state of the union and we satisfy that market.

Because I was intrigued by the final statement you made, don't get into restrictive--maybe restrictive was not the right word--but what you were saying, having to prove, because it would take away an incentive to locate in Ontario. You tell me how you would do it then when you have a million people unemployed in a population of 24 million, and we see towns like Windsor with 20,000 people unemployed?

Mr. E. C. Smith: I don't know.

Mr. Martel: The state picks up that cost, does it not?

Mr. E. C. Smith: If I had an answer to that question, I would have shared it with you a long time ago.

Mr. Chairman: Mr. Martel, just as you and your colleagues on the committee urge me to do from time to time--

Mr. Martel: Well, I have only had about 30 minutes.

Mr. Chairman: You have been a study in patience, that's right. That is why we have gone 13 minutes over the scheduled time. We are in a position where we can continue at the pleasure of the committee. Just give a couple of your best shots.

Mr. Martel: All right. I want to know if you are going to provide-- Since the manpower adjustment committee was supposed to work in one day, or the firm that you got to answer for you, are you going to provide the union with the complete work records of the employees so that any future health study or health problems will be able to be dealt with?

And let me tell you why I asked that question. I was involved with trying to prove that workers at Inco in the old sintering plant got cancer as a result of working in that sintering plant. We were able to prove it. It is now down to three months and if you develop lung cancer--

Mr. Mackenzie: It took a hell of a long time.

Mr. Martel: It took a long time, five or six years. The problem became one then of tracing the workers down who were in the sintering plant. I recently got a case from Newfoundland of a man, and another one of a man who went back to Italy. The only way we could accommodate looking after those workers is knowing where they are and following them, to indicate to them that they might have a problem. In fact we now test the workers every year--the government of Ontario through the Ministry of Health, now the Ministry of Labour--tests each employee annually, to make sure that the earliest signs of a problem are detected.

Are you people prepared to do that, provide the records, to provide the names of all of the employees and so on, and all of their health records to be given either to the union, the UAW per

se, the parent body as opposed to the local, which probably will go out of existence, to make sure that we know where these people are and can track them down and who they are?

Mr. E. C. Smith: I am not quite sure how to answer that because part of the asbestos issue per se is still in a kind of litigation, and I really should not comment on it. I do not know if the identification of employees and their new addresses and that sort of thing is part of that scenario or not.

I know that we have restrictions on what we can do with medical information. Even if we may want to do something with it, that we cannot make certain kinds of data available. All of that appears to me to be part of this overall question relative to asbestos, and I really should not comment on that.

Mr. Martel: I suspect though that it could be placed with the Workmen's Compensation Board, if it is a concern of health records. And I understand the difficulties there. Surely your company might offer to the Workmen's Compensation Board to place in their files, in their records, the problems related to this, or volunteer to give it to the Ministry of Labour, so that in fact we know, or have some indication of who they are and where they are eventually, in order to indicate to them that, "Yes, it is time you came in and had a medical of some sort related to this particular type of problem."

With all our effort, in conjunction with the United Steelworkers in Sudbury putting it in all of their United Steel newspapers everywhere, we are slowly getting people to respond to it. We know that after working in the sintering plant the chances of cancer are very high. What we are trying to do is get them to the doctor quickly.

Mr. E. C. Smith: I am sure the Bendix Corporation would do what is appropriate. We would have to bear in mind the rights of the people involved themselves in terms of what information is provided to agencies or to anybody. But whatever sorts out of that as appropriate, legislatively approved or required or endorsed or whatever, certainly Bendix would co-operate.

Mr. Mackenzie: May I ask you a specific question on that, Mr. Smith? I have a copy of a letter here from Robert Elgie, the minister, to the president of the local in which he states, in the last paragraph, "We do plan to obtain the records and to conduct whatever studies may be indicated..." They are dealing here with the medical records. Have these records been obtained by the Minister of Labour from Bendix at this point?

Mr. E. C. Smith: I do not think so. We have chartered independent studies that you may be aware of on the same matter.

Mr. Mackenzie: Yes. I am aware of that.

Mr. E. C. Smith: I know that the--

Mr. Mackenzie: This letter is dated September 18, and while he states clearly that they do plan to obtain the records,

as far as you know the company has not turned them over to him.

Mr. E. C. Smith: I do not know that they have been asked for either. I know that our corporate health and safety people are dealing with the subject of the mortality study and morbidity studies and the data that is necessary. I am sure we would not refuse a legitimate request for information.

Mr. Chairman: Could I have an indication of how many more questions there are?

Mr. Martel: I still have one more point. I have not finished.

What provisions have you made? We know that these industrial diseases show up in cases of silicosis or cancer at the sintering plant. It has a 15-year latency period. Has Bendix made provisions for pensions should any of those employees, 15 years down the road, have an industrial disease related to the work there?

I realize the compensation board gets involved. But if they become totally disabled, under the present legislation the pension they would get is pretty damned small. Are there provisions made for the protection in the event--hopefully it does not occur--that some of those workers become totally disabled as a result of asbestosis because they worked at the Bendix plant?

Mr. E. C. Smith: I am not aware of any special financial provisions for that eventuality.

Mr. Martel: You would be prepared to look at it, though, should that arise and we contacted you.

Mr. E. C. Smith: We can always be responsive.

Mr. Chairman: Thank you, Mr. Martel.

Mr. Smith, Mr. Taylor and Mr. Knight, on behalf of the committee, we appreciate your help and time that you did spend with us this morning.

Mr. Mackenzie: Just before you cut it off, there is a question I asked a couple of times, and I want to be sure of the company's answer on this. It deals with the internal document. Is there an internal document put together by the company on incidents related to the plant closure in Windsor?

Mr. E. C. Smith: As I recall my response, assuming that you mean policy or direction kinds of documents, there are none.

Mr. Mackenzie: How about a brief plant takeover, I believe, or sit-in that took place as a result of trying to achieve some termination arrangements? Did that happen? Is there a document relating to that?

Mr. E. C. Smith: Pardon me?

Mr. Mackenzie: Did you have a plant sit-in of the workers at Bendix in Windsor?

Mr. E. C. Smith: Yes, we did.

Mr. Mackenzie: Is there a document relating to that?

Mr. E. C. Smith: There would be, I am sure, memos describing the circumstances, if that is what you mean.

Mr. Mackenzie: This sit-in took place before the final termination arrangements that were made that we talked about?

Mr. E. C. Smith: Yes. It did. As a matter of fact, there may not even be memos associated with that. That was an event that began and ended in a single day. We agreed informally with the union that we would take no action relative to that illegal entry, and that was the end of that. I personally did not prepare any summaries of the event and we went on about the business of negotiating the closure. Somebody may have. When you ask that generically, is there a document, there may be some in existence. I have not seen them and had no reason to.

Mr. Chairman: Thank you very much for your time. The committee is adjourned until two o'clock.

The committee recessed at 12:51 p.m.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

WEDNESDAY, DECEMBER 3, 1980

The committee resumed at 2:09 p.m. in room 151.

BENDIX AUTOMOTIVE OF CANADA CASE STUDY
(continued)

The Vice-Chairman: I think, since we have a representative from each of the parties here and if you gentlemen are prepared to proceed, we will begin.

Would the members of the union please let us know who they are?

Mr. Moynahan: We have a prepared sheet that we are going to be submitting with our document and we will identify the people as they appear. It is with our brief and we are going to be circulating it to your committee.

The Vice-Chairman: Would you identify yourselves from one side to the other for the benefit of Hansard?

Mr. Lawrenson: Edward Lawrenson, past plant chairman of Bendix Automotive and first vice-president of Local 240, UAW.

Mr. Nickerson: Bob Nickerson, Bob White's administrative assistant with the UAW.

Mr. Moynahan: John Moynahan, president of Local 195, UAW, Windsor.

Mr. Byrne: Richard Byrne, past chairman of the Bendix hourly unit.

Mr. L. Campbell: Len Campbell, president of Local 240, UAW.

Mr. Nickerson: Mr. Chairman, if I may, we have asked some of our members to pass out a brief, we have a copy for everybody. The appearances are on the first page of the brief.

For the record I might say once again, after appearances yesterday, and with the situation late last evening with the Essex corporation and the problems we have with the shutdown there, I would say that the United Auto Workers, as one of the unions, has been drastically affected, more so, we think, than any other union. I have the result of the closures that have been taking place and the layoffs that have been taking place which are, quite properly so I guess, related to the downturn in the automobile industry.

We have to this point roughly 14 or 15 plants that have gone out of business. Recently there was an announcement about the

Sommerville operations in Scarborough. We wanted to put forward to you a case on the Bendix situation.

I wanted to make a few remarks in relation to, first of all, the presentation that was made this morning by the corporation, and say to you that I have been advised personally by a representative of the Sommersville Corporation in negotiations with that company on the plant closure that he, as an individual, was told by the Bendix Corporation shortly after the last settlement of the collective agreement with the United Auto Workers, that in fact the settlement that was arrived was, in the opinion of industrial relations in the city of Windsor, higher than they thought it should be.

They made some inquiries of the Bendix Corporation and at that time they were given a response--and you can check it out with an individual of the Sommersville Corporation named Tom White--that it did not matter because in three years' time the corporation would not be there. I want that on the record to make sure. We can check that out with that particular individual.

Again I want to put on the record that I take exception to some statements made this morning by representatives of the corporation who are continually saying that they would step up to their obligations and go as far as necessary in meeting their obligations relating to the legislation and the law, and they will not go a step further.

I understand that there have been some statements made by particular individuals, members of Parliament, that relate to the fact that where negotiations should require the announcement of plant closures or major layoffs be six months in advance, or giving notice as far as shutdowns are concerned, and further that the severance pay of one week for each year of service that we have been advocating, should be a matter of negotiations.

I want to point out that the Bendix Corporation, after the plant closure in Windsor, and we as a union, which has been cited here by the corporation are the bargaining agent in the city of London, Ontario, have just completed a three-week strike with the Bendix Corporation after the closure in Windsor, with notice of plant closure six months in advance. On the table was the matter of one week's pay for each year of service and at no time would the Bendix Corporation entertain either of those items.

We are saying if we, in this province, have to continue a strike based on getting that kind of commitment from the corporation, after what we went through in Windsor, then I think there is something wrong. I do not think it should be a matter of negotiations but in fact it should be legislated.

We do not agree with the approach the corporation took as far as the two week notice that was given to us in the city of Windsor was concerned, and certainly do not agree with the approach that was taken by this corporation in giving a one day seminar on how to present yourself for a particular job when you are going to look for employment, when there are 20,000 people out of work in the city of Windsor.

I just want to make those opening remarks and call on John Moynahan. We want to present a brief and we also want to take the opportunity to show you a film of the city of Windsor. It was a program called "Probe" which dealt with the whole plant closure of Bendix in the city of Windsor. We want to leave that with the committee as evidence as well.

Mr. Moynahan: I would just like to start out by saying as president of the local union representing about 60 parts plants the closure of Bendix was the furthest thing from my mind in December of last year, because I recall a Detroit News business article about a year ago today or a year ago Sunday stating, "Bendix Goes Booming Into The 1980s."

With that in mind I read the article and thought that we were relatively safe as a parts industry. I often wonder, when I see Mr. Smith made reference to the North American automotive trade agreement and he said the benefits in participating in the North American market, if the integration of the parts field in the North American market might not have been the downfall of the Bendix operation because, as a Canadian subsidiary--maybe not as large--that plant would not have been closed today if they were required to have Canadian content.

I think the key question is: Would Bendix have closed if they had lost that access to the North American market and where are the major players and the major profiteers of that market, namely, Ford, General Motors and Chrysler, in requiring corporations like Bendix, Houdaille, Rockwell International and others, to have Canadian content under the pact. When the figures were released to this committee today of the 1979 profits for Bendix Corporation, and assuming the 400 figure, when that corporation made \$8,000 per year profit per employee in that one particular year, I think that any firm in Canada or any domestic firm that was operating would find that very acceptable by any standards of the free enterprise society.

I am amazed by the ending of Mr. Smith's brief because really what he was saying was, after what he and his corporation have done, that he is urging this government and this committee not to bring in legislation on plant closures which really is a very thing facetious to do. Perhaps they think we are a banana branch plant economy, and maybe he is right. Maybe that is why we are here today to discuss what is happening to people in our society, people that I represent.

I would like to go into my brief, if I could, on the history of the plant closure. The Bendix Automotive operations in Windsor, as verified by Mr. Smith, go back to the 1920s when it was called Bendix Aviation. Subsequently, in the 1940s, it was named Bendix-Eclipse and in the 1970s was changed to BAC or Bendix Automotive of Canada. I think we are all aware that it was a wholly-owned division with headquarters in Southfield, Michigan.

There was a peak employment level by our standards in 1976-77 of approximately 900. I have heard the figure of 810 but we are assuming, with the salaried personnel, that there were approximately 900 people directly employed by Bendix Corporation.

There was also a major spinoff in the economy of the city of Windsor, namely in the particular parts plants that supplied Bendix and the ripple effect in the community.

The main products, as Mr. Smith has spelled out, were brakes and component parts. The quality of the products built in Windsor was considered to be one of the best in the brake parts industry, as good as, if not better than, in house Bendix plants in the USA.

Many new products were developed at the Windsor plants and, unfortunately, they were transferred to US operations once the processes of manufacture and development of production methods were perfected at the Windsor operations.

We had a bargaining process for renewal in 1980, and I would like to note that in item five in our document there are going to be a number of pieces of material that were sent to the local union by sources that we are not aware of. We have been informed by telephone, from people who remain anonymous, that there is a total document that was drafted by Mr. Smith or by his counterparts. And it was a sizeable document--some of the excerpts are in here, we do not have possession of that total document--but it was done by Mr. Smith or by the firm, relative to the overall operation. It is our submission that it may be beneficial to this committee to have that document to really see what happened in 1980 as to the perspective of that particular industry.

As I stated, we were in the bargaining process for renewal and on June 16, at a negotiating committee meeting for a new collective agreement for both the plant and office units of locals 195 and 240, the union was made aware that Bendix Corporation was making a study of its operations in various countries for idle production capacity, involving some six locations. One of the six included the Windsor operations. Windsor had been in an idle production capacity for a short period of time due to basically two reasons: lost production to the US and the company's plans to decentralize many of its plants into one production facility.

The Bendix representatives stated that they had no knowledge that the Windsor plant closing was a foregone conclusion at that date and that the corporate feasibility study would determine that, and that it would require the approval of the corporate executive board, which would be meeting soon, to determine which of the plants would be closed.

2:20 p.m.

Ongoing negotiations--and, incidentally, we had submitted a strike deadline to the employer--were adjourned. A strike deadline was cancelled because normally with the process of collective bargaining very few decisions were made with the local negotiating teams. I happened to have the duty of going in during the 1977 negotiations and before any economics were settled or before any major changes were made in the collective agreement. At that time Bob White, who was the administrative assistant to Dennis McDermott, was into negotiations and had acquired the major role of interest from the United States corporate office on industrial relations results.

The strike deadline was adjourned, based on the notification the company had given us that it would have been premature to strike and not know exactly where we were going. The company representatives advised the UAW negotiators that they would call the union to a meeting not later than June 26, at which time they would give us their answer as to whether or not the Windsor operations were to continue.

On June 19 the union was contacted by local representatives of the media regarding a scheduled meeting of corporate and union representatives scheduled for Friday, June 20, at a Windsor hotel location, which was the National Traveller. To that point we had not been notified by the corporation of this meeting and, as a matter of fact, a number of the principals were scheduled to be in Port Elgin, Ontario, for a meeting of the Canadian UAW council and the parts manufacturing group that we represent.

The union contacted area Bendix management but we could not obtain a confirmation of a scheduled meeting. The media sources were again contacted by the union to ascertain the credibility of the source of the meeting. It was confirmed by the media that a news release was issued by the Bendix corporate office in Southfield, Michigan.

After repeated contacts with management principals in the Windsor location, it was confirmed that a meeting was indeed scheduled for 9:30 on Friday, June 20, 1980. The area management representatives stated that they were aware of the scheduled meeting and did not inform the union, but intended to inform the union later that evening of the meeting the following morning.

On June 20, 1980, a meeting was held. The corporation representatives made a statement that they were closing the Windsor Bendix operation as of that moment. The corporate representatives informed the union committees that they desired their assistance in accompanying them to the plant to notify the workers of an immediate closure. They further requested the union's assistance in arranging an orderly exodus from the plant. The union refused to be a part and parcel of this request.

Just to digress for a moment, it is our understanding that the workers started their shifts at 6:30 or 7 o'clock in the morning and were informed by in-plant management to perform no work. At approximately 9:30 or 10 in the morning, they were taken into the lunchroom, told the plant was closed and were directed to leave the premises. They would be paid, as I understood it, for the balance of the day for leaving the plant.

The company stated that the plant closure decision had nothing to do with union-management relations; that the plant operations were carefully studied relative to future business and, as a result of such a study, the decision was made to close out the operations because of business dictates. In the company's estimations, the future of the plant was closely tied to the auto industry which was suffering from both downsizing and a sales slump.

They emphasized that because of the slowdown in auto parts

production, due to the above-mentioned causes--lack of sales and downsizing--the Windsor operation would not continue. They had made a decision to transfer the work to US plants. The present remaining production and equipment would be transferred to the corporate plants in the US, primarily because the US plants had idle capacity and were engaged in similar production. On completion of the moving of parts and equipment to the US plants, the Windsor Bendix locations would be put up for sale.

In reality, Bendix had downsized to meet market demands as early as 1976, producing brake systems for models such as Pinto and Maverick. When the original energy crisis hit automotive manufacturers, Bendix Windsor was not affected severely and was in the process of obtaining possible contracts to produce braking systems for Volkswagen and Ford Lynx in the 1980-81 model years.

The Bendix management stated to the union that the Windsor operations had been unprofitable for a period in 1980. The company representatives were asked whether they were seeking financial concessions from the union at this point as a condition of continuing the Windsor operations.

The answer to the union was negative. They stated that this was not their intention. They stated the decision to close the plant was final and irreversible and had been made by their corporate interests in Southfield, Michigan.

On the worker reaction to the closure, on June 23 a number of workers out of frustration scaled the fence at the Prince Road plant and some did go in by other means. The police were called by the corporation. The union was notified by the corporate people of their concern over the occupation of the plant.

The police chief, in an attempt to resolve the situation, contacted the local union and requested its intervention in avoiding a confrontation between the workers, who had occupied the plant, and the police, who had been requested to move them from the plant. I might say that there was no damage to the plant. The people were orderly. As a matter of fact, they had discussions with a number of management people.

The corporation was contacted and agreed to meet the following morning. Union representatives, including myself, entered the plant and assured the workers of scheduled meetings between the corporation and union officials of both the office and plant bargaining units. The workers left the plant peacefully. On Tuesday, June 24, 1980, the parties met and, after a week of exhaustive negotiations, a plant closing agreement was signed on July 3, 1980. A copy of that agreement is before you--item two--and I would like to refer to that document as we go along.

On Wednesday, July 2--there is a wrong date on the signing document; I believe it was July 3--representatives of Locals 195 and 240 and the international union met with Dr. Elgie, Minister of Labour for Ontario. The union requested his intervention on a number of issues relative to the closure. These issues included a complete health study on the Bendix workers due to their exposure to asbestos in the work place. The union requested assistance in

the placement of injured workers on rehabilitation programs by the Workmen's Compensation Board. The union also voiced its displeasure with the mode and fashion of the closure and the insensitivity of the employer of the ramifications to the workers.

The minister indicated that he also was not particularly pleased with the closure or in the way it had been handled, but stated through his sources and contacts the decision was irreversible. He stated that he would respond to the union on the health study and monitoring. We will produce documentation of his resolve--item three.

Mr. Nickerson: What we would like to do at this point, if we can, is show you a documentary that was done in the city of Windsor, which I referred to earlier. It relates to the total closure of Bendix and is developed around the closure of the Bendix operation in Windsor. We would like to leave it, as I said earlier, for the committee for their perusal at a later date.

The Vice-Chairman: Would you like the lights out or do you think you can see?

Mr. Nickerson: Maybe if we turn them down a little bit, it would not hurt.

An audio-visual presentation was made from 2:27 p.m. to 2:54 p.m.

Mr. Mackenzie: Could I just make a brief comment, if I can? I appreciate the members who are here to see this and to listen to date to the presentation. I particularly congratulate my colleague, Mr. Ramsay, but I wish he would ask that particular film shall be shown to some of his colleagues who have not done the union the courtesy to be here or to sit through that and see the answers that came from the minister. That, I think, would not be remiss at all if, at least, they took a look at it.

Mr. Ramsay: I will do that, Mr. Mackenzie.

Mr. Nickerson: As I said earlier, we are going to leave that tape and we would appreciate it if, upon the completion of the hearings at the point it is no longer of any necessity, that the clerk would get it back to us.

Mr. Moynahan: I would like to go on with our presentation on page four. Rather than go through the attempt to keep the plant open, I would just like to make reference to item three that there is a document and I understand that Mr. Moore from the industrial commission is here representing the city of Windsor, but I would just draw your attention to the last page of section three of our brief in which the response from Mr. Moore ended any proposals that we had to continue with attempting to acquire some equity and continue the operation.

Mr. Mackenzie: Where is it?

Mr. Moynahan: It is at the end of--the letter of July 17

from the Windsor-Essex County Development Commission on the last page of section three.

The Vice-Chairman: Section three?

Mr. Moynahan: Yes. Is it not in there?

The Vice-Chairman: Okay.

Mr. Moynahan: On the question of the manpower placement committee, on June 25--and this is item four--rightly or wrongly we were led to believe by that letter of June 25 from Bendix Automotive of Canada that we would have their involvement and it would be co-ordinated with the Labour Canada program, which is a Manpower agency. This contained three proposals dealing with the outplacement consulting firm, the job assistance program, and co-ordination with Labour Canada.

On July 9, 1980, all employees were sent a copy of a one-day seminar. At the request of the local union, the federal government was approached regarding a manpower adjustment committee. Bendix Corporation response is detailed with their letter dated September 26, 1980, signed by E. C. Smith. I would like to elaborate on that when we get to that section.

On the internal documents on item five, we are enclosing some internal documents that were sent to the local union by this committee, but I see by that program "Probe" that there was a picture of the document that we were notified of. I do not know what is contained in the document. We were told by whoever the source was on the telephone that that document, which was shown by the interviewer, is a document that Bendix has in their possession and it deals with the market and all of the other elements that were prepared by the corporation in March or April of this year.

We are also enclosing in item five the memo that they referred to in that program and that is the first page on section five, which is the internal memorandum that was shown to Mr. Gray in that film.

Interjection.

Mr. Moynahan: Item five. It is the first document and it is an internal memorandum. That was the one which was sent to us and I understand it is the same document which was shown to Mr. Gray.

Mr. Nickerson: I just want to point out, the internal documents of the corporation, the question of which we are obviously here on this morning, it seems to us there is an internal document that was put together by the company. We understand it is a very thick document that deals with the totality of the plant closure, the activities which took place, and positions by the corporation. Surely somebody in the corporation has that and we think that should be produced and we make note of that in our item five.

Mr. Moynahan: It is my understanding that a letter was

send to the TV station by Bendix Corporation by, I believe it was, one Mary Cunningham, stating that they felt they should not have used any access to these documents in this film. I have been told this. I have no documentation to that effect.

On the question of the pension plan, which is item number six, as it is noted on the June 20, 1980 letter, the company, even prior to notifying the union, had requested a windup of the pension plan on the exact day the company was announcing the closure; their consultants had prepared comprehensive data regarding the windup of the pension plan.

It is obvious that the company had anticipated the plant closure much in advance of their notification to their employees of to their union. It should be noted on page eight, item eight, of the plant closing agreement that the union was led to believe that all moneys in the pension fund, plus the anticipated contributions, up to the date of closure, June 20, 1980, would amount to \$7,953,562 hourly, and \$546,333 salaried, or somewhere in those whereabouts. To date, it has not been clarified to the union, with the exception of the question which was asked here, as to whether or not the company dissolved the above figures to provide for their employees, or if, in fact, they developed a monetary gain by purchasing life annuities or providing lump sum payouts.

It is our position that due to the trauma and forced immediate action of the union to resolve a closure agreement, that if in the event there is any surplus assets, they should be divided among all those eligible for pension payments or settlement. We assume the interests of the ex-employees will be protected by the Pension Commission of Ontario and the federal Department of National Revenue. We have received no reports on the funds since July 1980.

3 p.m.

I would like to enter into the documents. Starting with the closure document, you will note in the closure document which is in section two, and that date I believe should be July 3. We lost track of night and day because on July 2 we were meeting with the Honourable Mr. Elgie. But what we are presenting before you is the closure document that the union signed with the employer. And I might refer that as one of the participants in those negotiations, we had the unique position of being allowed nonaccess into the plant.

In effect, under the labour laws of Ontario, we were locked out. We were in a strike position and had we struck, we weighed out the advantages of striking, because had we struck with the benevolent settlement that the company has proposed they gave us, we would have forced our people to lose the 12 weeks' notice pay. Because I think we are all aware that under the act you are not entitled to notice pay when you are in the course of a labour dispute, which put us between a stone and a hard place.

The company, in the document, and on the questions of vacation pay--I might submit to you that I have studied the

proposals that Dr. Elgie has proposed to the Legislature--but in the entitlement for vacation pay, they established the entitlement if the vacation year ended on December 31. And they entitled their establishment for the calendar year 1980 based on the criteria of meeting the 900 to 1,000 hours. But there was no inclusion of the notice pay as accumulation of entitlement to vacation pay. And as a result a number of people fell short; as a matter of fact the majority, who did not receive their full vacation entitlement they were entitled to pursuant to the collective agreement.

The SUB plan was figuratively speaking, broke. We have liquidated the assets and I think it worked out to approximately \$45 for every employee. And there were 200 and some employees. The question of insurance coverage--

Mr. Van Horne: Could I ask you a question on that, on the supplementary unemployment benefit? That is one to which the employer and employee both contribute?

Mr. Moynahan: It is X number of cents per hour for each hour worked that goes into a fund that is used to provide benefits, but it is never set. Because of the peaks and valleys in the automotive industry, it has never been solvent.

Mr. Nickerson: It is all contributed by the company.

Mr. Van Horne: All by the company, subject to negotiations.

Mr. Nickerson: Right.

Mr. Moynahan: I would say in all honesty that Bendix Corporation in this settlement were not required by any legislation to pay the continuation of insurance benefits for those people who had retired, and by that I mean that they have agreed to cover them for OHIP, dental, extended health care, the comprehensive drug program and the life insurance, until these people are eligible, or age 65 where it is liquidated and provided for a life payment of burial expense basically on a decreasing term basis.

I would say though that in this settlement document--and I would address your attention to a number of items--but on the pension that we were negotiating subsequent to the closure--and this is on page six of the closure document with the heading "Pensions"--and the pension plan, the company notified us that we had no alternative, that they were, in effect, terminating the plan as of June 20 under the windup sections of the pension plan. None of the employees would be entitled to any crediting of service for those 12 weeks of notice pay to which they were entitled.

And I think that if you go several pages over, on page nine, you will take a look at a number of people who fell into the category, and I am going down to the second group, who would have been entitled to 30-and-out pensions had they received the 12 weeks being considered as pension contributions which I understand--and we were not aware until today--that the company

gave to their nonorganized employees. As a matter of fact, gave leaves of absence to bring them up to that criterion under their particular pension plan.

Mr. Martel: For clarification's sake, I thought this morning they indicated to us that they did make adjustments for employees who would have fallen short.

Mr. Moynahan: No, there were a number of people who were in that category. I don't have the exact figures, unless they are in this document, but as an example, the employee on page nine, or all of those employees who, for the most part, did not qualify for disabled benefits, who had 29-plus years, those particular employees in many cases had pensions because they reduced their pensions by the reduction curve factor under the pension agreement. They reduced them in many cases to \$99, where they would have got \$700 a month if they had had four or five more months' employment. The company did provide a \$100 a month supplement to age 65, which they were not required to do under the plan.

I would like to go down to the bottom of page nine, where it says, "Pension assets, including fiscal contributions not needed to meet these obligations, will be retained by the company." On July 2, Mr. J. Wells Bentley was sent a copy of the closure agreement. We wanted to get clarification. Unfortunately, to this date I am not sure whether the Pension Commission of Ontario looked into it.

Under the circumstances we had a choice of striking the plant or agreeing to this document. We were led to believe by the corporation that if any money was left, it would be used to provide lump sum payments or to provide deferred vested rights for those employees, but only if money was left. At no time during the bargaining process were we told that there was going to be a windfall--if there was a windfall at all--or that the company would not have to pay their contributions from their fiscal year of October 1979 to the date of the closure.

We had no way of ascertaining what position that fund was in, what the actuaries would bid on the question of buying life annuities or lump sum payouts. We were really in the position where the company had led us to believe that there would be no windfall and that they would be required to make their total contribution to the date of June 20. Until today, when the question was asked whether or not there was a \$500,000 float in there that was not required, we had no knowledge of that.

Mr. Martel: Could I go back, because I am trying to clear up in my own mind a misinterpretation I put on that. My understanding was that they were benevolent and decided to assist a number of people.

The Vice-Chairman: I don't think they can hear you.

Mr. Martel: I said that I got the impression, and I am awfully mixed up about the benevolence, that they did, in fact, include a number of employees who would have fallen short by a

number of months to receive benefits. One of the reasons I asked for the document right away is because--

Mr. Moynahan: They were not required, contractually, to provide for these people, but in the course of negotiating the settlement, we took a magic figure of 79 to 85, a combination of years of service and age. In many cases those people with 29 years of service and who were 45 years of age were up to around 74 or 75 points on that basis,

They included them because at that point we were plea bargaining for their inclusion, for some recognition of the long service these people had given. People with 60 and 10 were covered under the collective agreement, those with the 85 points were covered under collective agreement, the people with 30 years of service were covered. Those people that we have in categories there were the additional people and a few more who were covered.

We were led to believe that the company may be required to make the contribution to provide those benefits. I am not saying that we had an agreement of sorts, but the feeling across the bargaining table was that the company felt they had an obligation, that they concurred with us and felt they could make provision for these people.

Mr. Nickerson: My understanding of the remarks that were made this morning is that reference was made to the fact that with individuals who were brought back on the payroll, but in fact were on layoff or sick leave or whatever the case might be, to the point where they were given a one year's leave of absence when they were brought back on, in order to make them whole and get them into a position where they would qualify for pension, and to give them years of service that are necessary in order to qualify for pensions. Those people that were referred to by the corporation this morning, to the best of my knowledge, were all the employees outside the bargaining unit.

3:10 p.m.

Mr. Moynahan: As I stated on the question of notice payments, at the bottom of page 10 of the closure document, the fact that these payments are made over a 12-week period, the company emphasized that it does not change the status of these employees as terminated from employment effective June 20, which prohibited accrual of pension and of various other benefits that they would have been entitled to.

Mr. Nickerson: On document two, which is the plant closing out agreement of Local 195, I want to bring to your attention that Local 240 is not included there. The president of the local will be forwarding that document to the committee so that it can be added to this.

Mr. Moynahan: Section three of our brief is very important to us because we were concerned, and we still are concerned. I would like to submit, and perhaps they are out of order of sequence, the facts dealing with the September 18 letter

from the Honourable Dr. Elgie, the Minister of Labour. We did in fact meet with Dr. Elgie on July 2.

In my letter of August 25 we requested a health monitoring of these workers, and an epidemiological study of all former Bendix workers who had any exposure to asbestos contamination, by the ministry and its supportive branches.

The reason I wrote the letter was the August 22 column in the Windsor Star by Sheila McGovern--that is the document next to my letter--from which we learned that the health study and monitoring of the workers which we requested was going to be done by Bendix Automotive themselves. I want to emphasize the last part of that column where I am quoted as saying that asking Bendix to examine the asbestos situation "would be like asking Hitler to investigate the concentration camps." Because in my personal belief, we have--

Mr. Martel: Or putting Dracula in charge of the blood bank.

Mr. Moynahan: Yes. To my personal knowledge we have one person whose claim was established for mesothelioma and the widow is receiving a benefit. We have an ex-employee who is undergoing extensive chemotherapy and is receiving total disability benefits from the Workmen's Compensation Board for mesothelioma. We had the privilege of sitting in on four appeal cases of workers who died from various lung diseases and cancer of the larynx, which the board has rejected on the numbers game of whether they had 10 years' exposure.

During their presentation the corporation argued against the allowances of claims and concurred with the board, and I submit to the committee that the records of the company are highly suspect. The question came up before the committee about ascertaining the departments the people worked in and the conditions that were there, and I submit that we are sitting on a time bomb, if the guidelines of the compensation board are accurate.

A number of these workers have not yet processed claims because they have not developed disease, but they have worked over 10 years in grinding asbestos brakes for this employer, and perhaps have either exhausted the 20-year latency period or are close to it. This health study, which is to be conducted by the Bendix Corporation themselves, really ought to be a responsibility of the Ministry of Labour which, in our opinion, is denying these people the guardianship it should be providing under the law.

Mr. Martel: Are these company doctors, or just doctors that are going to be taken from the--

Mr. Moynahan: If you look at the news article, my understanding of that is that Bendix has commissioned this group by themselves. Dr. Finkelstein of the special studies said that it would mean testing former Bendix employees in Windsor. I want to submit to you, as I told Dr. Elgie in my letter, that in no way will we be part or parcel of letting our members or ex-members be

part of a corporate study which is self-serving for the corporation.

It is evident that they are arguing that the workers suffered no exposure in the work place, that asbestos does not cause cancer. The biggest problem with our workers is that they perhaps smoked in their life or drank. That is the argument that is being forwarded.

Mr. Mackenzie: I don't want to delay the presentation. I know some others want to speak. But I want to find out what has the company's position been in terms of the cases that you have been arguing to date for health problems before the board?

Mr. Moynahan: We are not totally sure. We understand that they have not appealed the two mesothelioma cases, but they are presenting arguments through counsel and through various representatives of Bendix that the other cases for cancer of the larynx and the appeals that are at present there should not be allowed.

Mr. Mackenzie: With the exception of the two cases, you are telling me that they have been arguing against?

Mr. Moynahan: Three widows appeared--one of the widows is in Nova Scotia--and the company has been present and argued that the claim should not be allowed.

Mr. Nickerson: If you want to call the corporation back at any time and ask them that question, they will say to you that there is no question as far as they are concerned; that none of the cancer cases or any disease related to asbestos happened as a result of working at their plant. That is what they have told us.

Mr. Moynahan: I also call the committee's attention to documentation that was sent to me to the effect that the University of Windsor, in a Canadian study group, could provide what the government was looking for. I am referring to a letter in that same section, dated May 29, 1980, from Professor Frank Innes, and a further a letter from him, dated June 23, asking if the personnel files of employees could be impounded to keep them in Canada and enable studies to be made on health experiences of the workers.

In addition, I refer to the response of the Royal Commission on Matters of Health and Safety Arising from the Use of Asbestos in Ontario, dated July 16, 1980, in which they point out that the terms of reference of the royal commission on asbestos do not give them the power to seize the records of the Bendix Corporation or any other agency.

They go on to say: "However, I can assure you that the commission attaches high priority to the issue which your letter raises, that is the health experience of workers. We hope, during the course of our research and via submissions and public hearings, to gain knowledge about this important matter." A copy of our letter to them was forwarded to the Minister of Labour.

There was a proposal from the University of Windsor to the Bendix Corporation for making a mortality study. We were never informed at the time that a health study was even anticipated. In the objective of the study proposed by the university, the hypothesis is made that the "Bendix employee population shows no marked deviation from the general population in terms of age at death or cause of death." A basic outline of the research method follows.

At the bottom of page three of that mortality study the comment is made that "...as initial exposure at the Windsor plant was circa 1940 and asbestos is known to have a generally slow and cumulative effect on human health, it is argued that this time period will be suitable for analysis." At the end of the proposal they point out the cost of providing that study to Bendix.

What really does bother me as a Canadian and as a trade union representative responsible for the health and welfare of the workers that I have been elected to represent, is that the Minister of Labour for the province of Ontario would, in his wisdom, agree to allow a health study to be made by that corporation.

It also bothers me--not that he would do it--to learn that data can be retrieved from Statistics Canada to provide a corporation that has abandoned its employees with data in which they may search for evidence to justify their opinion that these workers have not been exposed to asbestos and that there is no relationship between asbestos and the death of those workers. I find it amazing that Canadian people cannot be protected by the Canadian Legislatures.

Section four makes reference to the outplacement programs. The first document, June 25, was given to us during the course of our negotiations on the closure agreement and refers to three points, the first being job relocation and training session, which is a two to three hour session. That is spelled out in an announcement dated July 9, and it was held at 10:30 a.m. on July 14, 1980, at the Holiday Inn. I don't know how many people the corporation thought that they could squeeze through, but that has been the extent of that agency's involvement to our knowledge

3:20 p.m.

Item number two: Job assistance program. They "will help identify job opportunities...potential job opportunities will be posted at the job centre." We don't know where that is. "Clerical support will be available...individual counselling will be provided as necessary."

The key is number three. "All the above activity will be co-ordinated with the Labour Canada program manpower agency."

Mr. Mackenzie: Sounds like the whole operation is a manpower operation (inaudible).

Mr. Moynahan: The point is the September 26 letter from Mr. Smith to Mr. J. Groot-McLaren, who I contacted personally,

because, with the number of closures and the economic problems we have in Windsor, we found these committees to be advantageous in several fashions. If there is not employment by going through a committee of this sort, in many cases--and I think statistics will bear it out--sometimes 70 per cent of people placed are through people they know or by direct placement by intervention of outside groups, and approximately 30 per cent may obtain their jobs by direct application. We felt that by establishing the committee at least we were giving hope, we were putting ties to the workers and, if jobs became available, we could direct them to them.

The second point would be that under section 25(a) of the Unemployment Insurance Act of Canada, perhaps we could direct these people to upgrading courses and not have them be forced to go down as individuals if upgrading courses were needed. And they would still have been considered capable and available because they would have been directed by Manpower and in consultation with Manpower.

The third thing is we felt that the arrangements--and we have no idea what the employer paid to Beech Partners Limited--were not really going to satisfy in any respect the needs of the workers in the Windsor area.

In our discussions with Canada Manpower and Mr. Groot-McLaren, it was decided the key element of this is the involvement of the employer, because access and the co-operation of the employer is required to provide background data on those employees and their work experiences, and that contact of having the participation of the employer in aiding in that placement, on a tripartite committee funded by the federal government, the provincial government and, in this particular situation, I think the cost to the employer would have been somewhere in the area of \$3,000; but the main ingredient would have been their participation.

I think that Mr. Smith sent this letter and said that in his professional opinion people are either placed in the first several weeks or several months of their unemployment or they are not placed at all. If that is the case, then I think that the question should be referred back to them, why did they close the plant? Because the people at our place, what do we do with them if that is the analysis?

I would like to go on and just make reference to number five again; that these documents, we were told--functional commentary, section seven, et cetera--form part of an overall operations package that has been developed by the employer in March of 1980.

What I would like to bring to the committee's attention now is section six. I believe I should point out the document dated June 20, there is no way that an actuarial firm could have developed that document on the morning of June 20 when we were meeting with that company unless there was a predetermined decision made by the company to close that plant. I have submitted in there a July 30 document from the same firm addressed to Carl Andreas, social security department.

I think what is important for the committee to understand is that, under the collective bargaining process, we negotiate a basic benefit level which was \$11 per month per year of service in this plant, and a supplemental level. Under the funding laws the supplemental level is generally funded based on exposure. In this particular case those people, when they had their pensions commuted to lump sum settlements and reduced by the age factor of whatever applied, could purchase that annuity based on 10 or 12 per cent in the market, or the question of having supplements was not there before us.

The supplements were still in effect for those already retired, the supplements were in effect for a number of those entitled to the 30-and-out pensions and the normal pension retirements for which they were eligible. At no time was that supplement, which we have always considered to be part of the pension, available under that fund for those workers who would be taking deferred pension rights or who would be receiving lump sums.

As I stated, based on the information, going down in that June 20 letter to the third paragraph, this is why the company is pointing out, "There is no plan termination insurance in Canada, and no requirement that the company contribute additional funds in the event of plan termination."

This is the advice coming from their actuaries, which we were aware of. But as I stated, and I think if something is to be learned by this, in the event of a closure--and God forbid that anybody else has to go through it--it is our position that the Pension Commission of Ontario, and also the federal government, which has signed a trust agreement--and I am talking about the Department of National Revenue that has allowed these companies to write off their contributions over the years--that in the normal trust agreement, there are articles, as I say, that cannot revert back to the employer.

I submit to you when Auto Specialties closed in 1971, we ended up in the Supreme Court of Ontario attempting to receive the supplementary unemployment benefits money that the company felt was part of theirs and we did not receive at all. It was settled out of court.

In this particular situation with the Bendix Corporation, I think we had two alternatives. We could have either delayed that settlement, and in the course of that not negotiated a settlement until we got a direct bearing from third party actuaries, the Ontario pension commission, or someone, to advise us and counsel us, as representatives, that perhaps the money which was there was more than sufficient to buy benefits for these employees. In doing so, if the company was indebted to an additional X number of dollars, perhaps those people in those fringe areas, or even maybe those people with vested rights or even lump sum amounts, could have received more, rather than have it go back to the employer.

In retrospect, I submit that with the timing element and the request of the company to negotiate an immediate settlement and with the people basically locked out of that plant, we signed this based on a good-faith bargaining process.

Before we have a number of witnesses, I would like to go into the conclusion. These are basically my conclusions and I would like to address them to this committee.

It is quite evident that the Bendix closure of June 20, 1980 was but another glaring example of an American corporate entity exercising a unilateral right, in unrestricted fashion, to close down an industry without notice, without justification, and without concern for the workers, their families, the community involved, or the apparent lack of concern for the economic objectives of the provincial and federal governments.

In our opinion, it is an act of total irresponsibility for the provincial and federal governments to sit idly by while Canadian or foreign corporations, such as Bendix, make decisions outside our country that in effect render capital punishment on the workers involved.

With a deficit in the automotive parts industry of \$3.4 billion in 1978 and \$4.2 billion in 1979 and a projected larger deficit in 1980, how your government and the government in Ottawa can condone and accept these closures as part of an industrial strategy and God-given prerogative of industry, is beyond our wildest imagination.

Not only has the Bendix closure affected the employees who were employed by Bendix, but not to be outdone in their quest to render extreme havoc on the already depressed economy of Windsor, they have begun to remove tooling and parts orders from area suppliers of brake components, such as Central Stamping, National Auto Radiator, Huron Steel, Charles Laue, and SKD Manufacturing.

I would like to submit to you, members of the committee, copies of letters which I sent to Mr. Gray and Mr. Grossman, some responses from various members. I am pointing out in there that it is understanding--and these letters were dated October 1--that Bendix Corporation is in the process of removing some tooling and some orders from Windsor to the supplier industry there.

The total ripple effect of the closure could affect our community's industrial base by decreasing over 1,000 jobs.

Needless to say, the additional 491 Bendix workers joining the thousands of unemployed in the city of Windsor was another hard blow to a community that has already been plagued by layoffs and numerous plant closings.

It is very well to say to the city of Windsor that the new Ford Essex plant will be opening soon and will hire some 2,000 workers when in full operation. Even with the abovementioned plant absorbing hundreds of laid-off Ford workers, it will still leave hundreds of Ford workers on layoff.

The General Motors expansion in Windsor will hire some 2,000 new hires out of the 2,200 who made application. I think that is important. The people in the city of Windsor and in the surrounding areas have 2,200 people who directly received

applications and lined up at a racetrack for a vacancy of 2,000 jobs.

3:30 p.m.

Since the Bendix plant SUB fund was depleted prior to the closure date, it becomes obvious that those who worked for Bendix will have no recourse but to apply for assistance from welfare or other agencies after they run out of their unemployment insurance benefits by early next year, or in some cases, longer, depending on the re-entry requirements. In the case of Bendix office workers, there was no SUB fund provided for in the collective agreement. What is paramount is that Bendix would not agree to pay severance pay to the workers who were terminated. There was notice pay but not severance pay.

The UAW feels that employers have a social and moral responsibility to the community, as well as to the workers with whom they have a contract for work.

The municipality has an investment in any industry which does business within its boundaries, since it provides and maintains services and reversely that industry has an obligation to that community. Obviously, Bendix callously felt otherwise on June 20, 1980.

There are numerous questions to be resolved in attempting to analyse the logic and rationale of the Bendix closure and the problems of closures in general. I have dealt with these in the form of questions.

Why did they close an operation relatively new in construction, adaptable to any type of productivity and presumably profitable over a long period of time without being required to justify the closure?

Why, if Bendix is a responsible member of the free enterprise corporate community concerned about the economy of the communities and countries it does business in, would Bendix refuse the request of the provincial and federal governments, the local manufacturer and employee group, to purchase the facility as a running operation paying a royalty or licensing fee for making the products?

Why did Bendix not at least give ample notice of their closure to all, so that the workers and the community could adjust to the shock and perhaps prepare for alternative employment and life style changes?

I might submit at this point that a number of our people up until that day made major financial commitments of purchasing homes, of purchasing appliances, of purchasing cars, of adapting their children into universities and all that ended on that notice day with the commitment still out there.

On question number four, why do Canadian workers become the pawns in the auto parts industry with an already massive deficit in favour of US producers? The trend, rather than the reverse the

deficit, has been to compound the deficit with the closures or gear downs of Houdaille, Ford Windsor foundry, Chrysler, Bendix, Rockwell, Essex International and numerous others.

Why do the federal Minister of Industry, Trade and Commerce, and the provincial Minister of Industry and Tourism refuse to implement laws and regulations to control industry on the questions of shutdowns through progressive legislation to at least give a semblance of justice and equity to workers and their community in the area of pension portability and termination insurance, fringe benefit continuation, job retraining, early retirement benefits, severance pay, income transition maintenance and, above all, justification for the closure with advance notice to explore the feasibility of utilization of the plants?

Does the government propose that the disabled should be inherited by the community, or does the provincial government propose to utilize the rehabilitative services of the Workmen's Compensation Board to fully train the workers disabled at Bendix with the assessed cost to the employer? I have two witnesses here today to show you the types of examples that are going to be rendered out of the work place in Windsor.

Does the government propose to absolve itself of the liability of worker health monitoring, such as Mr. Elgie has done by allowing the exposure to asbestos to be monitored by a study group commissioned by Bendix itself, and in a foreign country?

Does the government believe that corporations, such as Bendix, can walk away from the responsibility of participating in manpower placement committees?

We respectfully fully endorse the enclosed policy statement of the Convention of the Ontario Federation of Labour regarding closures, cutbacks and layoffs.

We submit, as persons involved in the traumatic experience inexcusably inflicted by Bendix Corporation--and there were 60 plant closures since 1965 in the local union that I represent, 60 plants have ceased operations in the city--that the answer is evident, Legislation is required and corporate interest, both foreign and Canadian, must live under a basic bill of rights to their employees who have built their investments for them and reaped for them untold profits over the years of existence of that firm.

To the members of your committee, we submit that the future protection and rights of workers in this province must be protected. We implore your attention to their plight. Legislation is needed.

I would like to say, in addition to that film, I would like to go through a number of these closures. At Duplate, which was given a DREF grant of \$861,000 in 1969 or 1970 by the federal government to relocate in Hawkesbury, Ontario, as a result 200 workers lost their jobs when Chrysler pulled the work out of that plant into McGraw Glass in Detroit, which, I believe, was subsequently closed.

I would like to point out that a Canadian firm, Dominion Auto Accesories Limited, called Dow Specialties, a firm in the city of Windsor that employed 450 workers, was purchased by Allied Chemical, which subsequently closed the plant in about 1974 and moved the operation to an abandoned air force base in Macon, Georgia, resulting in a number of these workers being thrown out of the work place, many of whom we were able to place in Bendix, only to go through the same type of closure again.

I would like to point to Rockwell, which closed its plant in Windsor making hubcaps, but I think the Rockwell road record is quite evident to the Legislature. They closed the plant prior to what is happening in their other chain.

In 1974, I believe, when Alastair Gillespie was Minister of Industry, Trade and Commerce, Sun Tool made personal intervention that they needed a loan of approximately \$500,000 to continue the operation. There was \$11 million worth of orders in that plant for Pontiac Laguna bumpers and various other bumpers at the time. The government refused to give them the loan. They ended up in receivership and eventually the firm was dissolved. The government, as I understand it, took a bath on the investment and A.G.Simpson was allowed to purchase the facility with no obligation to rehire the ex-employees. In that particular case, the government paid more out in unemployment insurance than it would have cost to float that company and to continue the operation. There is Bendix in 1980 and it goes on and on.

We had the trauma of Auto Specialties, a foundry plant which is now an industrial clinic in Windsor. It is our understanding they left town without paying their hydro bill. Mostly they were eastern European workers in the heavy foundry industry who went deaf and had respiratory problems in that work place. They had their pensions reduced from \$230 a month to \$23 a month after approximately 35 years of service.

Our submission is--and we are asking you--what else has to happen before your committee will recommend and the government of Ontario and the government of Canada will implement legislation to protect the workers?

I would like to make reference to the fact that we have included the Ontario Federation of Labour statement and we have a number of witnesses from whom I think it would enlighten this committee to hear from today.

The Vice-Chairman: How many witnesses have you whom you would like us to hear?

Mr. Moynahan: We have got them in our appearance schedule there.

Mr. Nickerson: There are two or three we want to speak.

The Vice-Chairman: We are also hoping this afternoon to hear from Mr. Jim Moore, the development commissioner from the city of Windsor.

Mr. Mackenzie: The key thing for the moment is workers who have been affected at this plant. I would like to hear the witnesses who are here.

The Vice-Chairman: We intend to do that. Could I ask you to take the chair for a few minutes, Mr. Renwick?

Mr. Nickerson: Mr. Chairman, is it okay if we proceed with the witnesses?

The Acting Chairman (Mr. Renwick): Certainly. Go ahead.

Mr. Byrne: Mr. Chairman, I would like to address a couple of points which were made earlier. Mr. Smith spoke of competition; obviously being the representative of the workers in the plant, we were quite aware of the competition of the corporation.

Just to show you some of the things that we were faced with in that plant, in the drum brake assembly a year and a half ago, we were brought into the office--I am talking about the negotiating committee, the bargaining committee--and we were told that the production in the drum brake assembly department had to rise from 40 pieces per hour to 58 pieces per hour. We were threatened directly by the corporation that if not, if our people would not raise that production, then that operation would be removed and sent over to South Bend, Indiana.

We met that commitment. We went back to the corporation and told them: "We will get to our people. We will do all we can to see that production is met." Some three or four weeks later that production was met on an ongoing basis on three shifts. We were told about three weeks afterwards it did not matter anyhow as the drum brake assembly would be in Windsor for possibly two or three years and would go to South Bend, Indiana Those were some of the threats our workers had to work under.

3:40 p.m.

Mr. Smith mentioned negotiations. When we talked about the plant closure he said he did not want to go into cross-negotiations. Therefore, they told the negotiating committee that at that time we could no longer bargain in good faith. Let me tell you that Mr. Smith was not involved in our negotiations. He sat at none of our meetings.

On several occasions we asked the corporation if they would please submit to us the monetary package because we had submitted very early in the negotiations our monetary package. They said they did not have it prepared. We asked on three occasions if they would meet on weekends with us. They said they were not prepared to do so. This idea of going into cross-negotiations is simply a fallacy.

Mr. Smith spoke of moral obligations, and I will only use his words. He said personally he felt the moral obligations were met. Well, personally the moral obligations obviously were not

met. Maybe the corporate moral obligations were met, but if Mr. Smith feels his personal moral obligations were met by closing down that plant, which was making all kinds of money, leaving injured workers, people who were exposed to asbestos, to the wayside, then I just wonder where his standard of morals is and where the corporation's standard of morals is.

We do have some witnesses. I do not want to take too much time on the asbestos issue. The negotiating committee was brought into Mr. Smith's office again. We were told--I think it was in March--that he had heard rumours that we were possibly going at the bargaining table to try to isolate the drum brake assembly because there is asbestos exposure there. He told us very frankly when we were at the onset of negotiations: "If the negotiating committee is going to try to isolate that asbestos area, there is no point in that. You are not going to get it. Just cancel off your negotiations. Do not bring it across the table because you are not going to be able to achieve that." If that is good-faith bargaining, I do not know about it.

Mr. Smith was not involved in our bargaining, as he seemed to think he was. He does not seem to want to be attacked as the person who shut down the plant. I do not expect to attack him. However, I will say, and we will have witnesses to substantiate it, he was known in our plant as "hatchet man." Where he got that, I do not know.

I submit to this committee that the obligations for the workers in the city of Windsor are going to be met by Local 195 and the UAW to the best of our ability. They cannot be ignored by the government and obviously they cannot be ignored by the Bendix Corporation. Thank you.

The Acting Chairman: Thank you, Mr. Byrne.

Next is Len Campbell, who is president of the office union.

Mr. L. Campbell: Yes. I am president of the office workers. Four plants with our office people have been shut down: Dow Specialties, Canadian Bridge, Duplate and Bendix. It becomes a real specialty problem trying to service these particular people who have lost their jobs. Placement becomes tougher.

In this particular case with Bendix, it is almost impossible, or close to impossible, because of the economic conditions in Windsor with 20,000 unemployed, the technological advancements in the office area and section 25 of the act, where the people who are drawing unemployment insurance cannot go for retraining without special permission.

The companies that potentially will hire people who are out of work are looking for youth and specialty skills because of the technological changes in our area. In the case of those particular employees, even if they got a fairly decent severance or pension at this time, if they are out of the work force, as it appears they are going to be, we will never be able to service them again or go to the bargaining table for them to upgrade that particular minimal pension or severance they have got. As far as we can see,

they are on the road to becoming hardship cases and on the road to welfare.

As far as my servicing is concerned, for the actual conditions, I would turn to the in-plant chairperson, Ed Lawrenson.

Mr. Lawrenson: Basically what I have to say has already been covered under our brief by Brother Moynahan. However, I feel there are some areas that must be touched on and brought to your attention and I would impress upon you the importance of these issues.

Being an employee of some 11 years at Bendix, I too am forced to look for employment which, I might add, I have been doing for the past six months to no avail. I feel I am lucky because I still have my youth, my health and a technical background to fall back on. However, some of my fellow brothers and sisters are not so fortunate as I, having poor health, being in their early 40s and 50s and being trained to do only specific jobs at Bendix. Yet these people can work and want to work.

Some of these people today are still living in the fairy tale belief that Bendix has not closed, that it was a bargaining tactic used by the company, that the plant will be reopening in a year or two and will rehire them. I have actually heard these statements.

It is beyond my total comprehension how these multinational US companies can continue to take the better years of our citizens' lives--and in the Bendix case for some 50 years--while making profits and then discard them when things get a little tough, only to pack up and move on to higher profit areas.

Bendix at one time had a model they used to tell their employees about in Windsor--people and profits. Those were their priorities, in that order. On June 20 of this year we sure found out that the company had been telling us this model backwards, it should have read profits and then people.

I respectfully request you honourable gentlemen that you put an immediate stop to this senseless suffering, not only of our members but their families, for these multinational corporations continually rape us and then pack up for greener pastures. Let us not be sitting here 20 years from now, as we have been doing from the 1950s, talking about the same problems. Let us put protective legislation into effect now, not only to cushion this unnecessary burden but to put an immediate stop to it. As Dr. Elgie said, we were not the first and we will not be the last. However, it is up to you members to see that we are the last.

Mr. Moynahan: We have some documents on the next witness, who is Mr. Luke Tremblay. I have detailed some of the data relative to Mr. Tremblay. He is an injured worker who was injured in the work place. Some of the data is on the sheet.

There is also another injured worker whom we will be presenting. Mr. Tremblay is here to my right and, in his own words, I would like you to hear what happens to a worker who is

maimed in the work place and subsequently the plant closes down.

Mr. Tremblay: I am 41 years old and got injured at Bendix. Mr. Smith was not there at the time. This goes back four years ago to October 7, 1976. I have had two major operations which were severe operations. The first operation was over four hours. The operation started at 8:30 and I did not get off the operating table until a little after 12 or 12:30--I do not even remember as I was out. Ten days later I went for another operation to put a pin into my thumb which was severed, broken and crushed in five or six different places. You go through hell when you partly lose a hand.

3:50 p.m.

I was burned in a spot welder. The skin was just holding my hand together. They did the surgery and, luckily, I was one of the fortunate ones. I have got my hand yet, but what good is it to me if I cannot use it? I am suffering through a lot of pain. I wish Mr. Smith, if he were in my shoes, just what do you think of all this? You put me on the street. Just put yourself in my shoes. How would you like it? I am not getting frustrated, but where am I going to go? You answer me that: where am I going to go?

3:50 p.m.

It is very disheartening. I am not a politician, I am just a normal person, or maybe an abnormal person. I wish that the committee--I do not know, sometimes I get frustrated. What am I going to do?

Mr. Moynahan: For the information of the committee, Mr. Tremblay is rated for 80 per cent disability. He is receiving \$445 a month from the Workmen's Compensation Board. He technically has no job prospects in line, and he is one of the cases that we believe the government of Ontario, through the Workmen's Compensation Board, should put through an extensive rehabilitation program and cover him under workmen's compensation until he is back in the work place in some fashion.

This is one of the problems with a plant closure situation, that these workers, because they have been back to work, are not automatically picked up. They go back to the pre-accident employer, they are provided with some type of position, whether it be sedentary work or some form of light duty work in many cases; these people then feel comfortable, they are rated for pensions and they work on a daily basis.

I can assure you of Mr. Tremblay's record with that employer, he rarely missed a day of work. I have been informed in my discussions with him that the trauma of the injury did cause an alcohol problem from which he has recovered; it caused numerous problems with his family life which he has straightened up. The main point is that he is not a saleable entity in the job market, especially a job market with 22,000 people out of work.

I submit that when this committee makes recommendations it totally consider those types of casualties, injured workers or

people for whom it is possible that industrial diseases could develop in the future, so that liability goes to the Workmen's Compensation Board rather than to the community so those costs will be assessed to that particular employer.

Had Mr. Tremblay's plant not closed, he would still be working; with it closed, he will never work or has little prospect of working again with one hand.

The next witness I would like to call is Mr. Dennis Mulholland. I have given you this file. I just wrote this letter for Mr. Mulholland on December 1. I have been in discussion with him. I would like to ask the committee to review the October 7 letter from his doctor.

I would like--really, I do not think I could do it justice, I have not been through what Mr. Mulholland has been through--I would prefer to let Mr. Mulholland relate his position.

Mr. Mulholland: Mr. Chairman, ladies and gentlemen, I am going to try to make this as good as I can and get it over with. Like Luke Tremblay, I have had quite a few problems, with my wife and children. It is pretty hard to live with, but I guess you have to live with it, the way the laws are. I just have to say something to Mr. Earl Smith.

The day we took over the plant, and we had to take over the plant because they were going to leave without giving us anything, I asked Mr. Smith, I put my hand in front of him and I said: "Mr. Smith, you said you were going to take care of us people if we leave this plant. What are you going to do about me, Luke Tremblay and a few of the other people who were injured?" He said, "Mr. Mulholland, I guarantee you that I am going to personally make sure you are taken care of and the rest of those injured workers."

Mr. Smith, you know you said that to me, the police were there when you said that to me. Do you know what I am getting from the Bendix Corporation? He is taking real good care of me, I am getting \$141 a week unemployment insurance. I cannot go to GM or any place for a job because I have less than half a hand. I was lefthanded, now I have to do everything righthanded, and I cannot do it.

When you go to an employer they say they are not prejudiced against handicapped people. I called up this one gentleman and I said, "I am Dennis Mulholland, I am 40 years old and I have experience in a factory." He said, "Come on down, I will be glad to give you an application." I said, "I had better tell you this before I go down so I will not have to go down for nothing, I have had an injury at work." He said, "What type of an injury?" I said, "I was off work for 10 months, I lost most of my left hand." He said, "You had better go to the unemployment, maybe they will find you work."

The wife said, "How are you going to pay the bills?" and I--

Mr. Moynahan: I would like to point out to the committee that Mr. Mulholland receives a pension from the Workmen's

Compensation Board of \$293.50 a month, and for his 14 years at Bendix he received a lump sum payment of \$1,442 in lieu of a pension when he reaches 65. Mr. Tremblay received a lump sum payment of \$1,365.28.

I would like to ask Mrs. June Magee to present her views to the committee. Mrs. Magee was a worker at the Bendix plant.

Mrs. Magee: I was not injured, thank God that God-damned plant did not get my fingers, but I have been through two plant closures. At Bendix I had seven years, at Dominion Auto I had five. My husband has lost his job through the Ford foundry closing. Come May, we have nothing. We lose our home, we lose everything.

If that happens and we leave Ontario, we will never come back. I have grown up all my life in Windsor and every place I have worked I have given them my all. I did not have to hang my head when I accepted my paycheque. I worked for every God-damned cent they gave me and I feel that they have got a moral obligation to everybody, especially Bendix.

I would like to know who and what is going to take care of me if 10, 15 years down the road they find that I have cancer of the throat. Who is going to do this? I do not think Bendix is because they pulled out, they did not give a shit about the employees. There are lots. There is day after day after day I get calls at home where people are losing everything. Unemployment is saying: "Go to welfare, we cannot help you. Call your member of Parliament." They sit on their asses, who cares whether people are losing everything, whether they have to swallow their pride and go to welfare?

We do not want welfare, we want jobs, we are not afraid to work. You saw pictures of the lineups of people waiting for applications for GM. I was in that lineup, 20,000 of us for 2,000 jobs. Do not sit there and think that 2,000 people are going to get jobs at Ford's because there is over 3,000 layoff right now. There will be no new jobs at Ford's. We have got a white elephant sitting in Windsor, a \$68 million white elephant.

Something has got to be done to help us; because we are not lazy, we want to work, we are not afraid to work. All we ask is a break, a decent break.

Mr. Moynahan: I would like to present before the committee Stan Weiko who was employed by Bendix and was one of the group covered under the eligibility to retire.

Mr. Weiko: I sit here and have listened to my fellow workers. I have been an employee of Bendix for the last 30 1/2 years; I have been on a bargaining committee for the last 20 years and I know what I am dealing with. I just wonder: the people I am here speaking for, the people who got their pensions, who were fortunate enough to get something, they are all in the same age bracket as I am. I am turning 54 years old.

4 p.m.

I went out, put applications in, just to see if I could find work. They will not even talk to me, never mind giving me an application. I find that among people in my age bracket, there are no jobs. We are too young to die, too old to work.

We have a fixed pension; I would like to see what that pension is going to be like in five or six years; or when I reach the age of 65, when I lose the supplement. What contributions do I have to CPP? I still have a mortgage. I have a son going to high school; there goes his future.

I could name 40 or 50 cases from Bendix in the same position. None of these people want charity, they want some form of legislation to protect them. Maybe it is too late for us, but how about tomorrow?

I sit here and I just wonder, where in hell is my future? Do I become a charity case to you people, do I have to beg? I have pride too, and that is why I come here. I am begging in a sense, I am begging in this way: please do something to change the laws in this province to prevent another incident of what Bendix has done to us. I thank you.

Mr. Moynahan: I would like to introduce to the committee Roger Douglas, who is an ex-employee from Bendix.

Mr. Douglas: Mr. Chairman, brothers and sisters, I would like to take this opportunity to touch on Mr. Smith's statement that he made in the close-out period of the Bendix situation, when a number of workers took the plant over, as he called it: he said then, "You do not realize what you are doing, you do not have any idea of the wrong that you are doing." I said, "Mr. Smith, my father had 21 years in CIL and it closed; my sister was at Essex Wire, it closed; my nephews, Sun Tool, they closed; myself, 17 years: you tell me I cannot relate to closures?"

The \$1,652 of pension money did not go too far to put a son into university. I am lucky I saved half of it to start him off next year. The untimely closure also put me in line not to be in a position to make application for a loan this year, but we will hold on.

There is no lead time made available to prepare anybody for unemployment. I have sat with brother John and the rest of the committee here, brother Nickerson, I have seen the hours they have spent and the interest they have shown to the people who are unemployed in Windsor. It is not only the Bendix workers who are suffering, it is not only the Luke Tremblays and brothers and sisters of the union. It is all the people who make the trek down here to Toronto or up to Ottawa, with the media coverage that is given us; and quite often there are people who have smiles on their faces, smirks.

We are aware of the three party system that we live under. We are proud of our party. We know damned well that, with their help, somewhere down the road we will be victorious.

Having already had my larynx operation, having worked in the asbestos, I am still here at present. There is none of us who would make good bank robbers, and that appears to be the only job that is available in Windsor.

With that I would like to thank the committee, and please do something to assist them, 20,000 some, and the other 15,000 who do not even show up on the unemployment roll. That is all I have to say.

Mr. Moynahan: I would like to finalize my portion of these submissions by stating that we put this brief together and did not come down here to just plant idle rhetoric on you. We have had enough people hurt. We think it is high time that the legislation was changed. If you want more people, then I submit that it would be much easier for you to go to Windsor and this committee could operate as a man on the street type of committee, or person on the street, because the casualties are there.

We can go through that town and we can see people who have worked 45 years in industry and have no pensions to show for it, they are collecting Gains from the federal government, the provincial government. We have people who have relocated and gone into five or six industries. We have people who are maimed in the workplace and have nowhere to turn, such as the two I put to you today whose problems I am hoping to resolve with the Workmen's Compensation Board.

I think in the long term, and above all, we implore you to take a look at the road records of what is happening in industry, take a look at the road records of principally--and we are not flag waving--those corporations who, when their economy sneezes, we catch pneumonia and our people happen to expire from it. We think if the legislation is brought down they can live under those rules.

When Mr. Smith in his synopsis said, "As a going out partner, please do not pass legislation to prohibit it." After what he has done, that is the biggest kick in the face this legislative committee can get. How can someone come to you and tell you not to pass legislation when they are the principal cause of why you are sitting here today? So that basically ends my portion of the submission and I want to thank you for your attention.

The Vice-Chairman: Mr. Moynahan, I would also like to thank you on behalf of the committee for your very thorough brief and also to thank the people who took the trouble to come from your part of the country to present this brief and to have their say today.

Mr. Mancini: Just two or three short questions, Mr. Chairman.

I am interested, Mr. Moynahan, on page one of your brief, section one, near the middle of the page where it states, "Many new products were developed at the Windsor plant and were subsequently transferred to US operations once the processes of

manufacture and development of production methods were perfected in the Windsor operation." Would you have any specific examples of that?

Mr. Moynahan: I will put that question to either Mr. Douglas or Mr. Lawrenson because both of them work within the structure. I was not an employee of Bendix Corporation.

Mr. Lawrenson: Some specific examples I could give to you, one in particular was what is called a mini-master, which is a brake system, a master cylinder. Although it was designed at the corporate office, the original production of it was done in the Windsor area, particularly the Argyle Road plant. In the initial manufacturing of it we ran into problems. However, it was perfected at our particular plant, only to eventually lose that particular kind of product to the States.

Other areas: We had anchor plates that were done at our particular plant, to lose those. Master cylinders, wheel cylinders, we lost those eventually. I guess basically off the top of my head that is it.

Mr. Mancini: That is fine, I just wanted a couple of examples, because it seemed to me that, since most of the production at the Prince Road plant was for export, and if these things were being developed, if they were being made for export, it would just seem a simple procedure to keep them in Windsor.

Mr. Lawrenson: I would like to add one thing to it. Bendix did put out a substantial investment in obtaining a new line that was called a Teledyne line, it was an assembly line, and that was just getting on board when the announcement of the closing was made. This was supposed to be our future. The manufacturing process that it did was supposedly to carry us on away into the late 1980s and early 1990s because of the advanced manufacturing methods that were used in it.

Mr. Mancini: Have all these things gone basically to one particular plant in the United States or has it just been spread across the whole corporation?

Mr. Douglas: Just in connection with that, the Teledyne line which he refers to was packaged and crated and is in a bonded warehouse, we are led to believe. It was a Canadian built piece of equipment and is quite massive. I think this refers to some of the tax problems they said they were having in making a speedier closeup.

Mr. Mancini: What about the other stuff, do you know where that went?

4:10 p.m.

Mr. Douglas: It was completely redesigned and refitted and left our plant. A large portion of it was shipped directly to Mexico, relating back to the Argyle Road situation. You are talking of over a two-year period. But there was no piece of equipment that left the plant until it had been completely

refurbished. Pieces of equipment that would be possibly 20 years old were completely refurbished, completely rewired, completely machined, completely painted, and then delivered back into Bendix if they had to be done outside and then shipped from Bendix. Some of the crating and preparation was made and shipped directly to Mexico right off the Argyle Road floor, or to the US.

Mr. Mancini: Just a general question or two concerning the closure: It is absolutely evident from testimony given by everyone who has appeared today that the decision for closure was made rather quickly and therefore did not allow much planning to be done. The reason I mention that is because I want to get to the point to where you had met with the industrial commissioner, the mayor and were planning to meet with the workers and had a businessman interested in taking over the operation. I heard the statement this afternoon that Bendix was not prepared to franchise the operation in Windsor.

Could you further explain that and, if you would have been able to take it over, how would it have run, would it have been completely independent of Bendix, a new corporation, a new name, would you have had to find your own supplies? That is what I am trying to get.

Mr. Moynahan: We were open to any suggestions. Our basic objective was to preserve jobs and we were really in a position, not to embarrass the Bendix Corporation but the mayor had asked us to not develop this. With the co-operation of the industrial commission, the president of International Tools Limited, we contacted the federal and provincial governments, the offices of Mr. Grossman and Mr. Gray respectively, and it was our understanding that capital could be put up.

So we felt that if Bendix decided to abandon this, that there were advantages to producing in Canada, that the labour force was intact with the readily available skills, that it made a common sense position, because we had not been told by Bendix that it was a losing proposition, to explore the avenue of a worker, industrial, government type operation, producing for Bendix, because with the machines in house, we felt that even if it created 100 or 200 jobs, that was beneficial to the city and the community that we live in and the surrounding areas.

Based on that, we asked for this meeting with the Bendix Corporation. It was arranged and I can tell you that during that meeting Bendix insisted that the person who was interested in putting up the capital leave the meeting because they did not want them knowing any industrial secrets.

What the hell is a secret to a closure? This person was prepared, as an interested party, and sincerely. We do not suddenly hop in bed with companies and say, "We want to be partners with you," we plan on staying out of that, but just in the frustration of pursuit we thought that this would be a viable thing to have an outside interest who would manage the firm and have share capital, to have the workers share capital through maybe guarantees of the government, and say to Bendix: "There is a buck in it for you, let us continue making the products. We will

put the work force back intact, in whatever fashion, and perhaps we can salvage something out of it."

I think by the letter from Mr. Moore, which I imagine he will respond to, on July 17, subsequent to our meeting, that slammed the door. We did not make reference to that until such time as we were approached by "Probe" and I guess Mr. Grossman had discussed it with the media.

Mr. Martel: The handwriting was on the wall before you started, though; in that sense, would it not be, simply because you were going to produce something that was going to compete with Bendix who intended to service the Canadian market from its American operation? Why the hell would they sell to you? They are in it to make money.

Mr. Moynahan: Well, we did not know what their total consolidation plans were, but we felt that they were going to abandon Canada, at least we could keep some Canadian content.

Mr. Martel: Oh I understand what you were attempting to do. It is the futility because they don't want competition in a free enterprise system.

Mr. Moynahan: Well perhaps that was the reason why we were rejected. I cannot respond for the Bendix Corporation as to why they dismissed the--

The Vice-Chairman: Mr. Ruston, you have a further supplementary?

Mr. Ruston: Well the strange part as I see it, I suppose if I compared it to 1969 and 1970 when the farmers in Essex county were having a hell of a time surviving and losing their money right and left for the two years in a row, or three years, that we would not have anybody producing any food if we did the same as Bendix did with their company, because they foresaw a possible loss in this 1980-81 year.

It is rather strange when you have nine years of successful business, it seems to me to be really strange that a company feels that they have to close because of the foreseeable loss for one year. Anybody in business I think, takes that gamble every once in a while. I don't know, even the worker does. He gets laid off sometimes in an off season for a while and gets by. I know I had that happen myself.

But this is a strange one when the profits looked to be reasonable from what I can gather from the papers presented here today, and then to just, because they may have a loss in 1980, after having a big profit in March, it was really strange for a person like myself to figure out their philosophy at all.

Mr. Moynahan: Well, it was strange for us too, and this is why we thought it was a viable entity. But I guess in consolidation and shrinking the market, if you have most of it, it made sense to Bendix to abandon Canada. But my personal opinion is that Bendix should be considered a non bona fide supplier under

the automotive trade agreement, and should only be allowed that input into the automotive trade on our continental basis as to what they source in Canada, to that source in the market. And it should be split up a little finer.

Because if this is not encouraged, then there will be more Bendixes and there will be more Houdailles and they will operate whether it be in Mexico, in United States, and take advantage of our market. And I think that the key to that, as I address myself to my report, is Ford, GM and Chrysler. Because if anybody can keep the Bendixes and the Houdailles in line, it is the people that buy from them. And they should be here today saying what they are going to do about this issue of plant closures.

Mr. Mancini: It is my conclusion from the information that has been presented so far that the reason for closure in the Prince Road plant was certainly not economic. There may have been a lot of other reasons. Do you have any theories as to why?

Mr. Mackenzie: It was economic very clearly.

Mr. Moynahan: It was probably an overall economic point as Mr. Smith has said, but I don't subscribe to that totally. Because if it were a search or motivation for profits, and we had Mr. Reisman and a number of other people in Windsor where the superiors of General Motors equated that even with wage parity, it is 25 per cent cheaper to have a worker function in the automotive industry in Canada, and now I am talking about the assembly industry. So there are advantages to our market. And when we approach the overture of saying well, is it a requirement, something we don't like to do is to take a half a step backwards because we have got to satisfy our people.

But being a responsive union, we asked the corporation the question, are you looking for concessions? Because it had become the order of the day with the situation at Chrysler, and we had no way of knowing, because we don't get the books laid out to us in a closure; we don't have that dialogue in the way it came down. It was a very absolute position taken by the corporation. But we searched that avenue. If it was a question of economics about the collective bargaining process, and they said no. We are strictly going back. We have made the decision and your jobs are gone.

Mr. Mancini: One last question Mr. Chairman. On page three of your brief, section one, you state in reality, Bendix Windsor had downsized to meet market demands as early as 1976, producing brake systems for models such as Pinto and Maverick. So clearly they were already producing for the future market. They were already into the small car market.

Mr. Lawrenson: Yes, going back, that is one of the reasons why we made that particular point was that up to that period of time they had the larger brake systems. And it was approximately around that period of time where they did themselves start downsizing.

4:20 p.m.

It was approximately around that period of time that they themselves started downsizing. We supplied brakes to the St. Thomas plant and Ford, which manufactures the Mavericks, so the original crunch at that time was not really that evident with them. As a matter of fact, at that period we were working three shifts. So the initial energy crunch did not really affect them. They followed this through into the 1980s, where we were making lighter, downsized boosters, master cylinders. They were keeping up with the times.

Mr. Mancini: So it was not as if technology has passed you by.

Mr. Lawrenson: One of the reasons for the new Teledyne line was to keep up with the pace.

Mr. Douglas: With regard to the Teledyne line, the company had gone as far as to see that they had taken a maintenance staff for the maintenance necessary to upgrade and update with the new metric system. They had taken the time to fly them to Toronto. With the co-operation of the union it worked out some type of an upgrading training program that would have everybody in the Windsor in the Prince Road plant equipped not only to handle the new machining aspect of it, but also the computerization of the line, which was new to Bendix.

We already had the people in play on this; they had already been trained. And even those people out of the Bendix situation at Prince Road were unable to find work at this time. So they did make all the inroads as far as new technology. We were well on our way to that.

Mr. Martel: Mr. Chairman, in a situation like this I feel so helpless and so bloody frustrated by what transpires. I feel frustrated when I watched the movie, and Herb Gray says that he does not have the legislative authority to intervene, which is such a crock of shit. Because they have a majority in Ottawa, and there are other parties in Ottawa who would move quickly to expedite legislation that would protect people.

And I feel frustrated as I sit here because the same thing prevails here. If the people in authority wanted to do something about it, they could. Some of us, as you know, sat on the Inco layoff committee, and the same thing prevailed. The helplessness and all the nonsense we go through in trying to prevent a plant shutdown, you do everything; you're desperate. Workers run around; they don't know whether they are coming or going. People trying to work with them feel the same frustration.

And despite all of the efforts of trying to get the chainsaw operation in Peterborough, really very little is accomplished. It just goes on. You get the best foot put forward.

I could not help but go back to the brief presented this morning. "In all cases, with no exceptions, Bendix met or exceeded its legal, contractual, and in my opinion, its moral obligations." That is the way it is viewed by the corporate sector. I don't know how those people think, and I don't know how to deal with it. I

don't even know where to start to question, because in fact, to me at least as an individual member of this committee, I have no illusions about what we have to do. I have no qualms. I could write a report tomorrow, because all we are going to get is the same claptrap right down the line. Let me just tell you why.

We got that statement. Then we learn this afternoon that the plant closure was quick. The company refused to indicate to the union. I think they said they would get back to them on June 26. They learned inadvertently that there was going to be a meeting in a hotel in Windsor on June 20. The company denies it on June 19, all day almost; and on June 20 they make an announcement that the plant is going to close down--having told the bargaining team they would meet with them on the 26.

I know the company has to put its best foot forward, but does it have to be so blatant as to come to a committee to indicate that it was meeting its contractual obligations, when it did not even bother to get back to the bargaining team and to the union representing that group in good faith, to tell them rather than have them learn it through the press?

Then you look at why they won't sell; they don't want to sell a plant. They indicated to us they wanted to sell the plant; they thought they had an operation--I guess as long as it was not competitive. I think they said that this morning, that they thought they had a buyer for the building. Why would they allow an operation even to attempt to be assembled if it was going to compete with them? But they were selling. It might be nice to call the corporation back and ask them why they didn't want to sell it, specifically why they didn't want to sell that operation to anyone else.

The thing that I find as cynical as anything is the cancer study. At Inco we finally got a study going, involving the United Steelworkers, McMaster University and the company. It isn't a runaway company, mind you. It has not come easy. But over the years, with pressure exerted on that corporation, they now work with Dr. Muir from McMaster, in conjunction with the union, in conjunction with management, to look at those things.

I made the comparison that it is like having Dracula look after the blood bank to have a corporation, on its own hook, go before the compensation board to argue against compensation payments for some type of cancer, and so on, because they simply don't know where to start to asking questions.

I said I feel frustrated. I know what I would do, and it will rest with what this committee intends to do. But I intend to write a report or part of a report, even if I am by myself, because I see no other way out than that we have got to do what other jurisdictions are doing.

Let me ask one question. Did you say to us that Bendix attempted to close a plant in France? Did someone say that?

Mr. Byrne: Yes, it was mentioned across the bargaining table when we posed the question why the Windsor operation was

going down. I believe it was Mr. Dexter who made the statement: "We could have closed down a plant in France. However, legislation did not provide that we could do that. Therefore we are closing the Windsor operation." It was as simple as that. There was no other explanation.

Mr. Martel: They didn't attempt to escape from France, then, because the legislation was in place. I suspect that it is profitable. I raised that question this morning about legislation and companies like SKF going back there to produce despite that legislation. We heard that it was competitive, the market, profits and so on, and yet companies are prepared to locate once the ground rules are laid down.

I happen to believe that companies will abide by the ground rules in a jurisdiction. I am not frightened off by the Larry Grossmans of the world because with companies like this, we are better off not to have them in the beginning than to have them do what they do to society. Once they are here, they take their bongo balls and go home.

Mr. Moynahan: One of the biggest threats to the automotive parts industry, as I see it, is the threat of the world car. In a situation such as this Bendix, if they are a sole supplier of brakes or has a major portion of the market and can supply from Mexico or wherever else they decide to put their investment, that is going to become the order of the day for the parts industry.

In the city of Windsor right now, out of all the major corporations that we have had over the years, really we have only got two large entities outside of Ford, Chrysler and General Motors operating there, and that is Kelsey Wheel that Mr. Smith had worked for, and also Champion Spark Plug. If they ever close, then I guess we are back to our industrial strategy.

That has been happening in Windsor since Ford pulled out to Oakville in about 1953. Thousands of jobs in feeder plants went with them. The auto pact came in in 1965 and there was a growth in the automotive parts industry. The corner store type of shop started emerging. But in reality the larger type complexes that were controlled by decisions outside of our boundaries. The order of the day has become closure.

4:30 p.m.

Mr. Renwick: Mr. Chairman, I am quite prepared to let the excellent brief and the evidence speak for itself. I don't think there is any need for any of us to elaborate on it.

Mr. Ruston: I agree with Mr. Renwick.

Mr. Renwick: I don't want to go into the details of that. I think the record is clear from from this superb presentation. Indeed, it is the ultimate justification, I think, for the process we have gone through in hearing what is now seven presentations. Leaving aside the bankruptcy of the Heintzman

Company, the pattern that we have heard has been, with minor differences, identical.

Particularly the area Mr. Moynihan pointed out bothers me, and I am having trouble getting a handle on what to do about it. Your case is a perfect example that so far as the government and the workers were concerned, they were presented with an accomplished fact, a decision to close, at a time when it was irreversible. It is quite clear to me that there was no organization that did not already have in progress in their organization the plans to close for a considerable period of time beforehand; which means that the corporations, however you phrase it, considered they had a monopoly on that decision.

Leaving aside whether there are circumstances where a plant is justified or not in being closed, and speaking only of the procedure, could you just give us either your considered thoughts, or just off the top of your head, where you think the process is to start? At what point are we going to require the company to give the government and the workers in the plant notice that the question of closing the plant is under consideration, not to wait until it has been decided?

Somehow or other we have got to break this monopoly of the corporate right to make a unilateral decision, announce it and then nothing more can be done about it. Could you help me with your thoughts on that aspect of it?

Mr. Nickerson: I guess, Jim, what you have to be careful with is starting to tread on management's rights.

Mr. Renwick: I am not worried about that.

Mr. Nickerson: You have to consider whether or not you have the right to participate.

Just to try to answer the question and give you some guidance on where we are coming from, there is not enough involvement today--whether it is a union shop or a nonunion shop but particularly, because we represent employees under the United Auto Workers--with the union and the union committee in management making decisions.

Any time that management is planning to expand the operations, a situation where there are going to be a greater number of jobs, we don't get involved in that. In turn, when there is a decision made by management that they are going to close an operation down, at no time do they involve us in that. That decision is made either by the Canadian corporation or in the United States.

I have not been involved in one decision made by any management yet where they have reversed it--not one--after it has been made. If we cannot get in at the time prior to, and have some input and some notice that it is going to be necessary--and I said yesterday and I will say it again today, six months is not enough; we are proposing six months but even that is not enough--and the corporations know, there is no doubt in our minds they know well

in advance because they plan in advance. They are no different from anybody else.

Mr. Smith sat here and talked about six years of planning. You cannot tell me that a corporation that plans five or six years in advance what their product is going to be, what they are looking at, what their expectations are, can come along and say, "This is just a two-week notice, this is the first time we have been told and the plant is going to shut down." It just does not make any sense whatsoever.

There has to be more involvement and very early involvement of the employees and the committees involved to sit down and talk about how the hell we can make it turn around. There is no question that this operation here, on the evidence you had before you, did not have to shut down. It was a decision made: "We have the facilities in Grand Rapids, we do not need this any longer, here it goes, we are taking it over there." It is as simple as that. It was making money, it was profitable, there is no question about it.

Mr. Renwick: That reflects exactly the concern which I have. If we are going to devise a legislative framework that companies must comply with, if they are going to proceed to a plant showdown, then there has to be a significant lead time into that decision. I am trying to get a handle on what is the starting point.

Where do you say, "You, as a corporation, have now got to advise the company and the workers in your plant that you are considering a closedown," It is that commencement of the lead time that I am trying to get at because we have to establish that in a way which is clear that it is a mandatory requirement to give the notice--not of closure, but of intention to considering the wind-down of the operation. I am not saying there is an easy answer to it because I do not think there is.

Let me go to another. We hear a lot of chamber of commerce nonsense about equating corporate power with trade union power, but is it not fair to say that your local, Local 195, when faced with this sudden decision--and it was sudden from the way in which it was presented here and I am sure that is exactly what took place--that the union is basically powerless in the face of the exercise of that corporate power to make the decision? All you can do is sort of a cleanup job as you tried to do with your closing plant agreement.

Mr. Moynahan: We are powerless in the regard where the decisions are not within the country, but I can give you examples in Sun Tool where we lockstepped with the company.

We went after the federal government to assist them in getting loans to preserve jobs, unfortunately unsuccessful, but where the company identified a problem we met over Christmas holidays to try to assist them in preserving jobs. Great Lakes Forging in Windsor now, where the Ford Motor Company has pulled the rug out from under them, could be the next closure, where this company is attempting to survive, and the Ford Motor Company,

which got \$68 million from the provincial and federal governments, \$28 million and \$40 million or whatever the split was, refused to buy chain that is made and assembled in that plant for the new Essex engine plant. Great Lakes Forging in Windsor, that is owned by some Canadian concerns, are being shoved out of the market.

Mr. Renwick: They sought your co-operation, did they not?

Mr. Moynahan: They sought our co-operation. We have got a federal committee operating now to try to approach new markets to keep work in that plant. Many corporations who have been in financial difficulties have called us in. We have sat down, we have discussed the problems, because the workers' problems and the managers' problems happen to coincide when it is not unilateral. In that case we work with the management to help firms in many cases survive the ups and downs of the market.

Mr. Renwick: Would you say that those two examples are not only Canadian but also--

Mr. Moynahan: No, Sun Tool was an American firm.

Mr. Renwick: It is a subsidiary as well, is it?

Mr. Moynahan: It was owned by an American interest who had deep involvement by the federal and provincial governments. When people have an industry in Windsor we do not ask them the colour of their skin.

Mr. Renwick: No, I understand that.

4:40 p.m.

Mr. Moynahan: We live within that system because we know that is the system and we attempt to work with it. But in attempting to work with it, when we get hit with what happened when Bendix did what they did, or subsequent other employers have done it, there is no defence. We are defenceless. But I am quite sure what the prohibition would have been if a year before Bendix had been required to justify to the government of this province and to the federal government with at least a year's notice of what they intended to do and could not facilitate it.

Let me tell you, that protection is, in many cases, to the workers because they would not go out and make the major commitments that they have done to our commercial world, but it would also assist in looking at alternative types of employment so at least they would know if it is final and irreversible, and that justification would be required by the corporation.

Now in God's name, if Bendix were required to do it, could they have come to the government of Ontario, or to the Canadian government, and said, "We made only \$3 million last year, but we have got (inaudible) capacity in South Bend." If the laws were a justification, how could you justify it? It might have given the government an opportunity, through Mr. Grossman and what he has said where he would choose not to give the laws, maybe that law would assist him, where he could have got some other commercial

interest to come in, tell them there was a capacity and they could directly compete with Bendix. Because once the brake business is gone out of Ontario, are we going to develop an overnight entrepreneur to open up a brake business and develop it in the Bendix facility of 500 people?

It would have given that lead time that if Bendix did not want to make brakes in Canada, maybe somebody else did--maybe Warner-Swayze, maybe a Canadian entity; or where there was a lot of interested consolidated groups that saw a viable market. Because you do not make \$3 million with 400 employees in every plant in Canada.

These are the things I think that the justification--they have an obligation. They get the tax breaks. They apply for the federal and provincial loans. They are obligated because they live within the system, profit by the auto pact and profit by the government regulations. But suddenly, when the game does not go their way, they take their ball and bat and go home and we are left on a road and we do not even have tape to put on the ball because the kids cannot play with it any more; our people do not have jobs.

It does not bother me that Mr. Smith or the council or the Bendix representatives are here. I am glad they are here to try and explain the system. But you know, when they sit up here and try and justify, they must have a hell of a time. It is unfortunate you have got to shave in the morning.

Mr. Renwick: No. It is kind of a free market holocaust that goes on in the game.

Let me switch to another area. I just have one other area that I want to deal with. I am confused about the present status of that ongoing tracking record of your employees who are subject to the cancer risk, and where it now stands. I have listened while that presentation was being made, but I am confused. Is there absolutely no progress in it of any kind at the present time?

Mr. Moynahan: Unless the minister has gone into a confidential arrangement, but according to what I read in the paper, and even though I am a representative of those ex-workers, I am no more enlightened than the government of Ontario, with the exception of the minister. But there is nothing being done.

There has been no monitoring of the workers, to our knowledge, unless they are digging up files from StatsCan. There has been no response, other than, "Why don't you co-operate?" With whom? We do not know with whom. We are still of the opinion that we made the request on July 2 to Dr. Elgie and we are just hoping that they will reconsider.

Mr. Renwick: There has been no positive response, other than that one letter which is in here.

Mr. Moynahan: I know of no Bendix worker who is currently being monitored. I know of no Bendix--

Mr. Renwick: And there is no indication that the Ministry of Labour, or whatever appropriate ministry of the government, is prepared to take on that responsibility of both carrying out the work which is required and tracking and setting up a tracking record for the employees so they know where they are and getting the health records of those employees?

Mr. Moynahan: There are none to our knowledge. I think I specified my position that I would not recommend to any worker to supply data to the corporate--

Mr. Renwick: Oh, I agree with that. But I am talking about government responsibility.

Mr. Moynahan: We have told them not to be part of that. We told them that we are hoping in some fashion to pursue the provincial government to conduct a study on an impartial basis, for scientific reasons for future generations, for the monitoring of the workers in the event we do have an epidemic. By perhaps diagnosing early potential problems, maybe some lives can be saved. But I will be damned if they are going to--

Mr. Renwick: It would seem to me that it must be quite possible to devise quite a reasonable, uncomplicated plan to keep track of everybody and to have periodic health checks. It does not seem to me to be a monstrous job.

Mr. Moynahan: We would, as a trade union, agree, subject to the individual co-operation of the workers, that the logical thing is through co-operation with the federal government and the social insurance vital statistics that perhaps these people can be sent communiques advising them that they have worked in potential hazards. How many people worked for years in Bendex and went west? We do not know where they are at. We tried to point that out. There is no way to monitor them unless they are told about.

We cannot put it in a trade union newspaper that has circulation in Ontario that does not satisfy the objectives. But what we are concerned about is that with the asbestos conditions they were under, perhaps a number of employers will be reluctant to hire them.

Let us face it. If they did have exposure to asbestos, there should perhaps be a blank cheque so that if an employer does hire them and they succumb to problems that are relative to asbestos, that secondary employer would not be required to pay that cost; they would revert to the primary employer where they had the exposure. That might satisfy a lot of potential employers of these ex-workers because we can tell you what we are hearing on the streets is, "Do not touch the Bendix workers."

Mr. Nickerson: Mr. Chairman, if I may, on item three of the document, you have a clip from the Windsor Star which talks about "Bendix Health Study May Be In The Works."

Mr. Renwick: Yes.

Mr. Nickerson: If I can just answer the question to the

point where it is really the reverse. What we are being told by Finkelstein is very simply that the Minister of Labour is agreeing that the Bendix Corporation hire a US firm to study the situation and hopefully they will be able to get the files and it may meet the requirements of the ministry.

I just would say, if the committee has some authority in that particular area, that is a very serious problem we are going to be faced with for a number of years in the future. If the committee can do anything with the minister's office in making recommendation, we would certainly ask that this committee look at that very seriously and get to the Minister of Labour to ensure that there is going to be a study of these individuals over the next 15 or 20 years because we are going to have some very serious problems.

I am one who says, and I do not mind saying it--I have said it previously to the media when the plant went down--in my mind there is no question that part of the major decision to close down by that corporation, was asbestosis. It is better to close it out, put it out of mind, out of sight and you will never have to worry about it again. That has got to have a lot of weight on the decision of that corporation to close the plant down. If you can do anything to make sure that is going to be monitored, I think it is important that this committee take a very serious look at that.

Mr. Renwick: I do not think there is any doubt it is within the framework of our terms of reference that we can certainly deal with the shutdown of plants which have major health concerns arising from the work place. It is certainly quite within our purview to consider that and make recommendations about it.

Mr. Nickerson: If I may just take that a little further then, to make sure we clearly understand; we have attempted to get information from another corporation that has shut down, and that is a federal corporation in Brantford. The records of that corporation, which is a US corporation, are not available in Canada because they have all been taken back to the United States and we cannot get our hands on any of those records.

I do not know what happens at the point when the records are not available, and I do not even know, at this time, whether they are available in Canada.

Mr. Renwick: That is a specific area we are going to have to deal with in this committee, Mr. Chairman.

Mr. Van Horne: A question to Mr. Renwick who knows the legal ramifications. How much of this is within our purview or our jurisdiction, as opposed to federal? I am just asking for information.

Mr. Renwick: That it is within our terms of reference?

Mr. Van Horne: No. As a government of a province, how much of what we are talking about now, about these records going back to the United States--how much of that could we dictate access to?

Mr. Renwick: How much could we get?

Mr. Van Horne: Yes, as a provincial government.

Mr. Renwick: I just assume it would require intervention of the federal government with the United States government to get it if they are down there. The only other way is if Farrow has anybody left up here--if you want something done over there, if you have got somebody here, you can put the squeeze on here. But if they have just departed the country, you have a real problem.

It is like what we are going to be faced with with Essex in the other sense. If they have, in fact, left the country, we have had some problems getting them here but they have agreed to come.

4:50 p.m.

The Vice-Chairman: I might remind the committee that our next questioner is Mr. Mackenzie, and then Mr. Ruston. We still have to hear from Mr. Moore; also Mr. Saxe from SKF is here.

Mr. Mackenzie: I have two or three points very quickly. The material put together is very well done, and does, as my colleague says, speak for itself pretty well. It is a small point, but I want to go back for a minute to page two of your actual introduction dealing with the kind of notice that the union finally got. I am reading it correctly in the third paragraph, am I, when I read that, "On June 19 the union was contacted by local representatives of the media regarding the scheduled meeting of the corporate..."?

Mr. Moynahan: Yes. I received a telephone call because, obviously, when something like this happens, the media is in too with collective bargaining processes, et cetera.

The media contacted us and said, "What is going to transpire at your meeting tomorrow?" And I said, "What meeting?"

They said, "We understand that Bendix is meeting with you at the National Travellers." I said: "That is not true. You have been misinformed because we would have been contacted."

We had leaves of absence in for a number of members of the negotiating committee to go to Port Elgin, Ontario, to a meeting and the company was aware that they were going to be absent. So we followed that up and recontacted the media, who, in turn, verified to us that, indeed, it had come out of Southfield, Michigan, or wherever the corporate office is.

We contacted the Windsor office. The first time they said, "No," and the second time they said, "Oh, we were going to call you tonight and let you know about that meeting tomorrow." That is the way we were informed.

Mr. Mackenzie: The point it triggered in my mind, when I read it, was that it also is not the first time we have had this kind of notification provision. Testimony came out in the SKF case where it was clear that, as we finally found out before we were

finished the session, the company had sat down with the union in Germany and Sweden to discuss with them in March the fact that they were going to be transferring operations out of Canada to Philadelphia and to the European plants, but it was two months later before they had the first conversation period with the workers here.

Obviously we had a bit of a mix up in communications in terms of international unionism and that it could not get passed on to us. But the point is even though it was not a transfer or a shutdown in their own country, they were discussing it with the union teams better than two months before they ever began to talk to the workers here. I really wonder, when we talk about corporate morality, at the kind of suckers we are in this country. It is becoming obvious from the hearings before this committee.

Mr. Moynahan: I have looked at the proposals that Mr. Elgie has laid out for the Legislature, some of which are somewhat progressive because they are laying out at least something of a format, not that I adopt his proposals and I am not doing that to say it does not go far enough. It obviously does not satisfy. It would not have prevented a Bendix closure.

What did bother us is that there was an economic advantage to them slamming those doors on the twentieth because had the Legislature or the laws of the province required them to give them notice, even if they get pay in lieu of, a number of people would have gotten pensions. It would have given us ample time to research the assets of the pension, which, really, was almost like--and I do not know how many of you are familiar with Detroit. We used to walk over and a guy would pull up his sleeve and say, "Do you want to buy a watch?" He would have 20 of them. That was what were confronted with because we did not know the economics of the pension.

When they say a "moral responsibility," I think that should have been laid out on the table. If there was a half million dollars there, that should have gone to the workers, that really does bother me, because if we go back and tell people that they got short-changed on their pension, if, indeed, there was a half million dollars--the question was asked here today and there was some vagueness as to whether or not, indeed, there was.

We have never been informed as to how much there was. I do not know if the Pension Commission of Ontario has been informed. But if, indeed, there was, then really we walked into a blind alley with no lights on and our people got took for a half a million dollars because they owed that money to the pension plan. If there was more than sufficient assets, then they should have been distributed to those people who were entitled to them.

My understanding of the articles of trust that they have registered with Revenue is that money is not supposed to revert to the company. I would like to really know where that money is, if indeed there is any.

Mr. Mackenzie: There are two other points that I wanted to briefly touch on and one of them we have been hassling about

because I think it is one of the key things in this case and that is the responsibility down the road in terms of employees in that plant.

Anybody who says we do not have a problem with asbestos does not understand the facts of life. We now have over half the work force at the Johns-Manville plant, and that may have been a more severe case, but over half of them, if not on pensions, are already showing evidence of from 10 per cent upwards of lung problems that in most cases, or in many cases, lead to lung cancer. I have been working almost weekly with those employees and we are up to 170 or 180 of them now.

But what responsibility is there? As I got it from the company here today, there is no specific arrangement for a long-term responsibility.

Mr. Moynahan: I heard the company representative refer a to litigation and obviously he is in the wrong country because our people cannot sue under the Workmen's Compensation Act, as we know it. But it they call it litigation because they happen to be using a lawyer to fight the workers in getting it, then I guess it is litigation.

The company has no obligation. Where is the obligation? Are they going to pay premiums on a payroll dollar that is not there? Is it going to be transferred to the other Bendix installations which are not maybe BAC, maybe it is their Fram operation, and they throw their hands up in the air and say, "We do not pay the premiums." So it is going to fall back on the province. How do you go back and in retrospect say, "Insure your payroll dollar"? It is not there. We are going to pay the bill. OHIP is going to pay the bill if the claims are allowed. The system is going to support the widows. That is what makes the world go around.

Mr. Mackenzie: Looking at X hundreds of employees who have worked there over the last 20 or 30 years, and we have no idea what may be the picture--

Mr. Moynahan: It could be thousands. It could be 1,500.

Mr. Mackenzie: --in a short period because we also know there is a latency period that is fairly extensive in terms of problems with asbestos.

Mr. Moynahan: From my investigation in going through the research on that plant that even the suppressed documents in 1966 of the health hazard of people who should have been wearing masks but did not wear them because their faces were disfigured, of the shakeout operations and lack of ventilation, my God, we are sitting on a time bomb potentially. I hope I am wrong. It would be the best thing that ever happened in the world to be wrong on that one. But if we are not, what do you do, walk away from it?

Mr. Mackenzie: One of the things I think there is an obligation on a committee like this to look at also is what the assets of the company are, in terms of other operations here, or of the existing plant that shut down, and whether or not that, in

effect, should have some kind of a hold or freeze order on it. Because until this is worked out, I think there is a responsibility to see what costs we may be facing down the road in this particular operation.

Mr. Moynahan: Do you know what is ironic about this? If we had reversed it and pulled a wildcat strike and they lost business, they could have sued us and attempted to get money from the union. But in what they did--where is the recourse?

Mr. Mackenzie: You mentioned just briefly that--I think you said the world car idea is a threat to this part of the global product mandating we hear about as the big issue from Larry Grossman. The more I hear of it, the more scared I get of the whole situation. Can you give me a little more information on what you see in how we might deal with a Bendix, in terms of being able to supply the auto market you were making reference to, and hit the problem this way?

Mr. Moynahan: I assume that we are on the eve of Confederation. Obviously if we are going in to tie our economies provincially and federally with an international market where people are going to benefit by it--we have been acclimatized to say that the system works and if people put an investment in they get a dollar back. I think there has got to be some semblance of equity.

If the Bendixes who say--it really bothered me that they produced the tax figures of how much taxes they paid and how much their payroll dollar was, but they chose not to put in what the profit was until you pumped them on it. But if they benefit by that auto pact--and supposing that Bendix, in the overall automotive trade, supplies Ford and General Motors, or, say, the world car, and say that they have got 70 per cent of the brake components going into it, are they putting in an equal share if we are on a one tenth basis of seven per cent in the Canadian market?

Take a look--and I advise you if you can to research it and get that article, "Bendix Goes Booming Into The 1980s." The boom we heard was what they fired at our people. But when they came out with that, you see that Bendix is on the threshold of mergers.

You saw what happened with Houdaille. And that world car--there is no stipulation that Bendix has to do business in Canada. It says the ratio of what Ford, Chrysler and GM was doing on assembled vehicles. It say what American Motors must do. They must at least have a semblance of ratio in dollar value added. It does not conduct for Bendix. Bendix could abandon Canada totally and still have the advantage of having input into the North American automotive trade agreement. That is what bothers us on the world car.

5 p.m.

Mr. Mackenzie: I think you made some sense in your requirements if we are going to do something to protect ourselves, whether it is useful or profitable to the corporations or not. The

question we are facing as a committee is that we are going to have to start protecting ourselves.

Mr. Moynahan: You take a look at pre-1965. You know if Bendix wanted to be part of the brake business, they were in Canada. They were not here because they loved the Union Jack at that time or subsequently fell in love with the maple leaf. No, it was the dollar that came out of it. And pre-1965 they were obligated to produce in Canada or pay a tariff. Somebody else could have jumped in and made those products in Canada without paying a tariff.

When the North American automotive trade agreement came into effect they became a certified supplier and they say 98 per cent went the other way, but a hell of a lot of parts came in to maybe Chrysler or GM or Ford here, or whatever it was. So they lived by the rules. They had growth in there. We were living in a balloon. We thought it was going to be great. Where are they now?

There is no obligation under the pact that they supply.

(continued on page 48)

Maybe they are supplying oil filters in Chatham, or maybe they are supplying heavy vehicle things somewhere else. But you know that part of that automotive trade agreement they benefit by. But maybe they are supplying from France. Or maybe they are supplying from Mexico into a market that we purchase in.

Mr. Mackenzie: One final question that is in the same area. How do we mobilize--and this is where it could get difficult, or you could separate the men from the boys in any committee, even in a committee such as this--where do we insert, as you had also suggested, pressure through or on the Fords and GMs and Chryslers? Are we saying to them that part of this agreement we are talking about is that you have got to require before you will pick up the product from Bendix--

Mr. Moynahan: Let me tell you what happened. You saw MGM brake closed and it was a subsidiary of Indian Head Corporation which makes the Welles buses in Windsor. And they were going to shut down the MGM brake plant and I happened to be in there that day on the United Way appeal trying to encourage the workers to give to the United Way to help people. And the company announced the closure that day. You know, it was somewhere down the road.

But the remarkable thing that happened--and they made brakes for trailers and large components--I think it was International Harvester and everyone was concerned about their Canadian component requirements, and said to MGM brake, if you don't make them in Canada, you are not going to be a supplier. And that plant continued in existence for another year, year and a half, whatever it was. It subsequently closed, but it gave some longevity to that work force.

If Ford and Chrysler had taken Bendix in the woodshed, they would have had to make a hard decision, because Ford and Chrysler may have problems under the automotive trade agreement.

And I have often wondered, because they are the key players. Let them control the Bendixes, and let them control the other corporations and say: "Hey, we have a problem with the automotive trade agreement. We have a deficit and a balance, and the only way we are going to do that is if you start sourcing in the Canadian work place, and having Canadian content; we have to live under certain rules." And if they did that, we would not have to be hitting Bendix on the head. They would do it for us.

Mr. Mackenzie: I think that makes some sense. We have gone through the Steep Rock and Caland Mine shutdowns in northern Ontario. And one of the problems there is that we do have a viable and essentially Canadian steel industry, but the responsibility has not gone beyond the plants that are in my riding and in my town, Stelco or Dofasco, to the point where they should be required. They had just cut by 10 or 20 per cent the ore pellets they are picking up in Canada, and they are picking them up now in Minnesota and Michigan. And I think we are into the same kind of ball game there. It may be one of the angles that we have got to start taking a look at.

Mr. Moynahan: If Bendix would have been indebted to the

federal government like Chrysler was, it would have had to give permission to close the plant. They were not in that position, they were making money, and they never had to go for money. Well they got some grants I understand.

The Vice-Chairman: Thank you, Mr. Mackenzie. Mr. Ruston, did you have a question?

Mr. Ruston: No, I think I will withdraw.

The Vice-Chairman: Mr. Moynahan, again, on behalf of the committee, thank you very much for your appearance here today. To you and to your people, thank you.

Mr. Nickerson: Mr. Chairman, thank you very much on behalf of our people appearing today, and we appreciate our chance to put our case before you on the situation at Bendix. Thank you very much.

The Vice-Chairman: Could I ask Mr. Jim Moore, the development commissioner for the city of Windsor, if he would come forward please.

Mr. Moore, do you have an opening statement?

Mr. Moore: Yes I do, Mr. Chairman, and in view of the hour, Mr. Chairman, ladies and gentlemen, I will try to make this as brief as possible.

I would like to observe--

The Vice-Chairman: Take whatever you would like to say or present, that is up to you. Don't feel that you are restrained by time.

Mr. Moore: Thank you, Mr. Chairman. I think we have all had a very informative and perhaps a very humbling day in terms of the testimony we have heard from various people on this matter of importance to all of us.

As the chairman has indicated, I represent the Windsor-Essex County Development Commission and I might say that we are supported financially by the city of Windsor and the county of Essex. Our board of directors also includes representatives of the chamber of commerce, of the Windsor and District Labour Council and of the community at large. Mayor Weeks of Windsor asked me if I would appear here on behalf of the community.

Our work as a development commission is threefold. First, to help our existing industries to survive and prosper; second, to attract new industry; and third, to maintain an economic environment so that our existing industries will prosper and our new plants will be attractive or we will be attractive to new plants.

We try to stay close to our industries and we try to forestall situations such as the Bendix situation, when we can. And while I can certainly indicate that we had no official

indication from either the company or the union prior to the June dates that have been mentioned today, on the basis of our knowledge of our community and of the industry and the economy, we had certainly flagged Bendix as a potential problem situation some months before that.

Mr. Renwick: Did you have any unofficial notice that it was going to close?

Mr. Moore: No, we did not. I am simply saying we flagged this on the basis of our understanding of what was going on in the automotive industry and the situation in Windsor vis a vis other companies as well.

Mr. Mancini: Jim, why did you do that when it showed a huge profit the year before? If you are prepared to flag a company that shows such a profit, I mean, what about the other ones?

Mr. Moore: I think an answer to that: You cannot always look at profit statements, and that is part of the answer. The other part of the answer is we did not see, and were not aware of those particular profit situations. I think we were looking perhaps more at the overall situation of knowing what was going on and what has been going on in the auto industry in the last 18 months, and it is nothing short of--I mean there has been an earthquake in Italy and a lot of people are concerned about it, I am among them--but we have had in our economy an earthquake. And when you have an earthquake in your economy the planning goes out the window. You have to react immediately.

Mr. Mancini: Did you flag Bendix because of the asbestos problem?

Mr. Moore: Not particularly, no. In any case, when the announcement did come in June, we took immediate action, as has been indicated by all parties today. In conjunction with the mayor, the union, the company, both senior levels of government, we explored--and I might say in a very rapid time but in a very intense way--we explored possibilities of continuing the plant in operation under some form of employee ownership. We explored this very thoroughly and we spent a lot of time in this area until it became apparent that this was not an avenue that could be proceeded with.

Mr. Mackenzie: Do you have any idea why the possibilities, if indeed they were real, did fall through?

Mr. Moore: Yes, I would say, if I may inject a personal opinion here, from the minute that this possibility was being explored, I was certainly not personally of the opinion that there was a great deal to be gained from exploring the situation because of my own assessment of the situation in the industry. In other words, if there is a market for X number of brake units, there is a market for X number, and there is not a market for X plus 500,000. And it was on the basis--

Mr. Mackenzie: And the company that has the existing market is not going to allow competition readily?

Mr. Moore: No, that is not what I am saying. What I am saying is that if the market drops, and I think you have to recognize that the US auto industry in the last year is operating on a total basis, something like 20 per cent below capacity. And 20 per cent below does not sound like much when you say it quickly. But when you think in terms of the hundreds of thousands of people who are employed in the auto industry in North America, and I think we have to recognize that we are in a North American industry, not in a Canadian or American. And 20 per cent of that capacity is not being utilized, that has a major impact, not only on the car makers themselves, but also on the parts suppliers.

5:10 p.m.

Certainly in my opinion, in recognition of that impact, I thought that it was flying in the face of good judgement, perhaps, to expect that it would be possible for any kind of endeavour to start from scratch, granted even with the best equipment and the best plant in the world, as a new company and try to market against other companies into that market.

Mr. Mackenzie: Do you think it is accurate that the company refused to sell, if it was not a threat?

Mr. Moore: What is the point of selling something where there is no capacity?

Mr. Renwick: What you are saying is that the Canadian plant was simply surplus capacity, and once there was capacity excess to the US, they were going to shut the Canadian plant.

Mr. Moore: Yes.

Mr. Mackenzie: Why not let somebody, if they want to try, even if it is a fool's game?

Mr. Moore: I think the company itself would have some corporate responsibility to recognize that they would be leading people into a fool's game and they chose not to do so.

Mr. Mackenzie: That is a little difficult to reconcile with some of the testimony before the committee.

Mr. Moore: In any case, Mr. Chairman, we have been actively marketing the plant with a view to getting it back into use and with a view to getting the people back into an employment situation, with the very close co-operation of the Honourable Herb Gray's office and also Mr. Grossman's office.

We have contacted a great many prospects, prospective users for the plant, within the community, within Canada and around the world. I might say that we have contacted many companies. As a result of that, we have had a number of companies that have toured through the plant and have looked at the facility, the most recent one being yesterday afternoon.

While I do not raise any false hopes, I would say this: The plant is an excellent production facility. It had a good

management team, although many of these people are now re-employed elsewhere, in other industries in Windsor. It also had a good work force. We believe that this plant is eminently marketable, even in the present situation; not as a place to make brake units, but as a potential location for other manufacturing or other types of activity. I might say that we are doing everything we possibly can to reutilize that plant and to help in the remobilization of those workers.

I would also state that our development commission, obviously, is not simply in business to promote the reuse of that single plant. In a more general way, we have been making a concerted effort over a number of years to assist our firms in Windsor and area to diversify and to develop new products and to develop new markets, so that we do not have the kind of dependence that we presently have on a particular industry.

We also have been working very actively to attract new firms from all around North America, from Europe and we are now looking at Japan.

All of this is toward the positive result of maximizing the employment opportunities in the Windsor area of Ontario.

Mr. Smith spoke of the problems of the car industry and I have referred to these myself in terms relating to the earthquake. I think it is worth observing again that in the free world, in the western world, we are going through a revolution, not only in the car industry, but in our entire manufacturing and resource economy.

In the last 10 or 15 years, there has been a massive amount of resource and industrial development in the lesser developed countries. This is changing the economic balance of power in the whole western world. It is creating extremely tough competition for North America and for Western Europe; so we are going to have to develop new technologies, put those technologies into use, do massive reinvestment and reconsider some of the attitudes and some of the productivity.

I am talking here not particularly from the standpoint of workers only but from the standpoint of management as well. We are in an extremely competitive situation worldwide economically. If we wish to survive and to survive as a manufacturing country, we are going to have to take some tough decisions and we are going to have to work very diligently and do a lot of things--

Mr. Renwick: Who is going to bear the cost, who is going to get hurt in taking those tough decisions?

Mr. Moore: This is something that we have to look at as a country and as a province, to ensure that in taking those decisions and in making those moves, the risks, hopefully, are spread equitably within the society and that we do not have people who are hurt; and where they are dislocated, that there are mechanisms in place to help over those times.

We have been cognizant of those kinds of dislocations within our commission. We have worked very closely with the United Auto

Workers and also with the mayor's committee for services to the unemployed in Windsor, and with the city and the province to urge, among other things, the reinstatement of a form of transitional assistance benefits which, we would gather from Mr. Axworthy's recent press statements, is now slowly working its way toward some reality. We have proposed this precisely for that reason: To protect workers who have been dislocated by circumstances beyond their control.

We have also proposed it because we, in Windsor and in this province, have been active in attracting new industry. With the help of the provincial and federal governments, we in Windsor have had some success. We have two major new plants coming on stream next year in Ford and General Motors. These will provide new employment.

We feel we need the transitional assistance benefits, not only as a protection for the workers individually, but also to ensure that we as a community are able to maintain that skilled work force that we have; so that as this economy turns around and as those new jobs come into place, those people are still in our community and able to take advantage of those opportunities.

Mr. Mackenzie: Could you tell us how many new jobs they will pick up and how much the current pretty heavy level of unemployment should drop?

Mr. Moore: I know these numbers are subject to dispute, but I would suggest the number of 20,000 to 23,000 unemployed, which has been indicated a number of times today, is a little on the high side. I think the actual current level right now would be more between 13,000 to 15,000. I am not saying that to suggest--

Mr. Mackenzie: Assuming you are right, how many of them will be picked up in these two new major plants?

Mr. Moore: There would be about 5,000 in these two plants.

Subject to what happens, let's say, with the continuing situation with Chrysler, it is likely that a significant number more will be picked up by Chrysler over the next one or two years.

Mr. Mackenzie: Are you accurate on your 5,000? That seems high from some of the figures we have had.

Mr. Moore: It seems to me 2,600 plus 2,600 plus 250 is something over 5,000.

Mr. B. Newman: Those figures are not accurate. They are not new jobs at all. They are simply placing people who are unemployed back into the work force.

Mr. Moore: Those are new jobs. If we did not have those new plants coming on stream, into place, we would have 5,000 people who would have had no hope whatsoever of having new jobs.

Mr. Mackenzie: I understand that from day one. The point

I was simply trying to get at: How many new jobs were we picking up and how much were we picking up that was just some of the devastation we have had?

Mr. Moore: I would suggest we are picking up in excess of 5,000 new jobs that, in one sense, has nothing to do with the devastation you are talking about, because that devastation is something that is a cyclical thing within the industry; whereas, the plants we are talking about are new plants that are part of this world car revolution, part of the downsizing, part of the future of the industry. In that sense, we in Windsor can take some comfort in the fact that we have more new automotive investment taking place in our relatively small city of Windsor than our big neighbour of Detroit next door.

Even in that sense, if we started to look at hard numbers and at comparisons and at what has happened in this devastation of the auto industry in the last year and a half, we in Windsor, as much as we have suffered, and we in Ontario-- Let's say, in the province more generally, we have not suffered as much as Windsor in particular. We have suffered nothing compared to some of the greater industrial centres of the United States where the layoffs and the impact of the layoffs has been much more devastating than in Windsor.

In any case, I would like to get on with the whole matter of attracting new investment and providing new jobs. I think it goes without saying in the present state of the world economy, this is a highly competitive business.

5:20 p.m.

These days industrial development is in a pressure-cooker environment and governments, whether they are national, provincial or local, are taking drastic measures to react and to be competitive in this situation. I would simply point to your own mini-budget and the \$750 million program the government of Ontario has just announced, which is certainly a reaction to the situation we are in.

This is a time of great change and great problems. It is also a time of great opportunity in terms of the number of new investments of manufacturing facilities that are going to be made worldwide.

When I am outside Canada, promoting our community as a business location--and I have been doing that this past couple of weeks--I continually encounter concerns by people offshore about disincentives to investment and to location in Canada. The Foreign Investment Review Agency, our record of nationalization of things like potash, land-transfer taxes, all of these things are thrown up. I am sure this happens to every industrial commissioner from every jurisdiction who goes anywhere and says, "Hey, come and locate in my city."

I would say also that I can allay most of the concerns expressed about these things; in fact, for particular industries that are energy intensive or raw material intensive and require

skilled and sophisticated workers, Ontario is a very attractive location on a worldwide basis.

I would also observe that in an uncertain world it is impossible to insulate individuals totally from the ups and downs in an economy. This is something we all, governments, trade unions and management, make our best efforts to do. I respect that this is a particular concern of this committee, but in the present economic environment I would caution you to think very carefully before proposing the creation of any greater disincentives to investment in Ontario. Speaking particularly about plant closure legislation, closing the barn door after the horse has gone does nothing to keep Ontario competitive as a location for new enterprise.

In my view job security can better be enhanced by maintaining a competitive and attractive investment climate, rather than by setting up costly penalties for companies that close down. Several European countries--Belgium, West Germany, Holland, Italy--have plant closing legislation and other, related types of laws, somewhat in excess of those of Ontario. However, it is worth observing that some of these countries, particularly the smaller ones next door to the West German economic giant, have experienced slow growth and little reinvestment in the recent past.

I for one do not wish to see Ontario put itself in the Belgian predicament, next door to the American economic giant. I stress this because I know that European firms are considering North American locations precisely because they do not wish to continue to operate or expand in what they regard as prohibitively costly locations.

In my view the positive way out of the current economic difficulty is to improve our competitiveness to both new and expanding industry. Making Ontario's plant closure legislation more restrictive might soften the blow of dislocation for workers in those industries that close, but its much greater impact could well be to impair our ability to generate new jobs in the industries of the future.

I believe in keeping Ontario competitive as a location for enterprise and attractive as a location for new industry, and I would urge you to take this into consideration. Let's keep Ontario as a place where they will be jobs, now and in the future, for all who are willing to work. Let's keep Ontario working.

Mr. Mancini: Mr. Moore, I take it that your presentation is on behalf of the Windsor-Essex County Development Commission and that they are basically in agreement with your stated positions today. Does that include the mayor of Windsor?

Mr. Moore: My presentation is at the request of the mayor. I would observe that the former council of the city of Windsor is not in agreement with my position in terms of plant closing legislation.

Mr. Mancini: When you say the council, of whom are you speaking?

Mr. Moore: I am speaking of the former council, the one which is no longer in office as of November 30.

I would observe also that the mayor was not present at that council meeting and therefore was not a party to that particular position.

Mr. Mancini: You mentioned that you meet people from all over the world, Western Europe, et cetera, who ask you about certain things they consider to be disincentives. Why are some of these same companies willing to locate in Western Europe and in Australia and in other places of the world, serve the domestic market, live under the guidelines there, but when it comes to Ontario there is always a disincentive, always a detraction?

When we try to put through legislation which would give people who spend a good deal of their lives working inside the four walls of a plant some protection in case there is a decision to have the plant moved, why is that always considered a disincentive?

I don't know that I agree with you entirely that it is a disincentive to them. I would say to you, Mr. Moore, that certainly they would probably have to have their heads examined if they didn't tell you it was a disincentive. Just as today almost any corporation should have their heads examined if they didn't line up for the employment development fund that was created by this government. Any manager who didn't line up to try to get some of that money should have his head examined.

But getting to the crux of the problem, the basic issue is that probably they would locate here because they want to serve the domestic market. If there was legislation that said, "You cannot sell your product here unless you serve the domestic market with jobs," or if the auto pact was such that the parts manufacturers had to meet the sales-to-production ratio, I think that many of these problems would be solved.

Frankly I am not convinced, just because somebody says at a trade conference, "We can't go there because of these trade restrictions." They set up in France, Sweden, Italy and in all of the countries of Western Europe where, if you want to call them, restrictions, there are restrictions which are incomparable to what we have here in Ontario.

Mr. Moore: In answer to Mr. Mancini's question, none of these things are black and white. Any company that is considering setting up in any country has a whole multitude of factors to consider, legislation such as we are talking about being only one of them and probably not one of the first five or six on the list.

Companies do look at all of the factors that relate not only to the setting up of a plant but the profitable operation of a plant. We must also look at it in terms of our attractiveness, the things that we do, the legislation we have in place to protect

workers, et cetera. In the real world that we live in, all of these things are sawoffs or compromises. There are a number of considerations that have to be looked at.

In this particular area, I think it is worth observing that right now there are a number of European companies that are looking at investing in North America. They are looking at North America for two reasons. First, they have their own European market pretty well saturated and it is not a growth market; the population is not growing in the same sense that the North American population is. They are also looking at North America, speaking of the automotive industry in particular, because the Europeans and the Japanese obviously have some lead on us in terms of the ability to produce small vehicles and parts for small vehicles, and they see an opportunity in our market.

Then we come to the situation where we in Ontario are competing, let's say, for that investment with all the other jurisdictions, the 50 states and the other nine provinces.

5:30 p.m.

Mr. Mancini: We are not supposed to be competing for the auto pact jobs.

Mr. Moore: I am not talking about auto pact jobs. I am talking about other industries coming from the outside.

Mr. Mancini: I see. you are talking about industry in general.

Mr. Moore: We are competing with, let's say, the other 60 jurisdictions and, don't forget, Mexico as well, for those particular investments. I am not suggesting that plant closing legislation is the thing at the top of the list and it is the only thing that companies consider. I do suggest that it is a serious factor and one of many factors that would be looked at.

I would also observe that in something like 47 or 48 of the states there is literally no plant closure legislation such as we know it in Ontario. So when you are making comparisons in that particular area, we already are more advanced than most of the other jurisdictions in North America. Therefore, for us to strengthen that particular legislation, makes us less competitive in that particular area.

Mr. Mancini: Finally we can say with regard to these corporations which want to expand their market because the European market is saturated, that the only way the market can be expanded is if people have jobs and have money in their pockets and can buy the products the corporations want to make. If they want to expand their market in Ontario and keep everybody on the unemployment line, who is going to be their market for them? There is going to be no market. I don't want to get into a long debate, but surely that has to be one of their major considerations.

Mr. Ruston: Mr. Moore, I had a feeling about what you were saying with regard to certain legislation. On the other hand,

if we had built into our laws in Ontario, severance pay and things like that, which we do not now, it might not stop a company from closing but they would have to follow different methods in order to do it.

If a foreign company was going to close, I have heard rumours that they may have to go to a certain board or commission and put their cards on the table and tell them why they have to close. It may just be that legislation would be put in that said you have to pay your people for so many months after you close and that certain benefits in their pension should be portable, which it should be anyway.

That is one of the terrible things we have never got around to establishing. It seems a shame that someone who has worked for Chrysler for, say, eight years cannot go to General Motors with eight years of pension, it just doesn't make sense. That is part of our responsibility and it is going to have to be done.

Do you think that legislation affecting benefits and so forth--ours would probably be minimum if we did pass it, and a lot of it would be negotiated as well--do you think that would be much of a hindrance to a company coming in? I must say I lean a bit heavily to the side of having more local investment in Canada, rather than having the profits go out of the country.

But dealing strictly with foreign ownership, do you think that is going to discourage them?

Mr. Moore: First of all, Mr. Ruston, we already have in Ontario a system and benefits as outlined by the Bendix representatives this morning. If you simply hew to the legal requirements under the present law, those benefits can still reach sizeable amounts of money. In the Bendix case, in fact, they exceeded the legal requirements and expended considerable sums, if you want to put it that way, to close their plant.

I think on balance there are perhaps better ways of protecting workers and protecting communities than necessarily that. And certainly a portable pension such as you have mentioned, that is an area I would agree with heartily. I mean pensions are a fairly straightforward thing. I would agree on any efforts that can be made to make them universally portable.

Mr. Ruston: Of course I think the auto pact, we got tied into it, and I don't know whether we are going to have to untie ourselves completely and go back to the old system. I don't know which would be worse. But we are really in bad shape on that. And that great country of Japan does not have much sympathy for anybody and they don't allow your cars in yet they export theirs out.

I heard someone mention this morning they thought the United States was a good corporate citizen, but I will tell you I think Japan is the worst corporate citizen in the world, and they are treating everybody else that way. They don't put a high duty on necessarily, but they put such restrictions on an item coming in, manufacturing, and how it has to be made and everything, that it

prohibits most countries from exporting to them.

The Vice-Chairman: Are you finished, Mr. Ruston? Mr. Renwick. Mr. Renwick is the last on the list.

Mr. Renwick: I found the presentation quite disturbing. I may say you have company, but I can't say good company. You have the company of the Treasurer of Ontario (Mr. F. S. Miller), the Minister of Industry and Tourism (Mr. Grossman), and basically I think probably the Minister of Labour (Mr. Elgie) in the province shares your view that the assembly of this committee just stands without making any recommendation of any kind, the better it will be for the people of the province.

I find the basic philosophy that you have expressed is so disconcerting in its view that there is nothing that can be done with respect to the protection of dismissed workers to be just appalling to me. I don't know how else to express it. There is some fundamental flaw in the attitude that this assembly cannot do anything.

I can say to you that I hope the clerk will, with your permission, put you on the mailing list for the Hansards of this committee. And I hope you will read them, because on a vector scale of one to 10, the plant closure law in Ontario, section 40 of the Employment Standards Act, rates about minus one in the scale of things that led to the decisions that have been caused. We have not had a single solitary item of evidence before this committee which said that the laws of Ontario, minimal as they are, had anything to do with plant closures.

I speak with some feeling about it, because the reason section 40 of the Employment Standards Act is on the books of this province is as a result of a plant closure in my riding of the Dunlop plant 10 years ago. And I serve on this committee because it is quite fashionable in Canada for the same problem to come up every 10 years and nothing be done about it.

Now I would like you to tell us whether or not there is anything in your view that this committee can do with respect to the question of the time preceding plant closure decision by management. Is there anything, in your view, that can be done or is that decision to be left the sole monopoly of management? Is that your basic philosophy? Because I would like to know it.

Mr. Moore: Well, I think, Mr. Renwick, in answer to your question, there was some reference made earlier today to worker participation in management, the trade union participation in management. I found it a very interesting observation in the SKF case, that the trade union representatives on the board of that company in Germany and Sweden were aware some months before the information became known to the trade union people here in Canada that there was a decision being made about a plant location or a plant shutdown here. And that that information was not communicated through the trade union movement to those people here.

Mr. Mackenzie: They were not on the board but they were notified, that is true.

5:40 p.m.

Mr. Moore: It seems to me--two things. One, if we want to talk about greater government involvement let's say, greater trade union involvement in the decisions that companies make, rights carry with them duties, and I would think that if unions want to be involved in those kinds of decisions, and every evidence that I have had within Canada and within Ontario and within Windsor, has been that the unions have not particularly wanted the duties and the responsibilities that go along with those kinds of decisions--if the unions are prepared to take on those responsibilities--

Mr. Renwick: I am talking about government.

Mr. Moore: I would see that there could be a place for that kind of participation.

Mr. Renwick: By government?

Mr. Moore: Well, I am addressing right now my remarks to the union. If you want to have worker participation in management, I think it has to be genuine participation.

Mr. Renwick: That is a proposition which is so far removed from reality in Ontario at this time that it is not one-- I am asking you whether this government committee, making a recommendation with respect to intervention by government, prior to the decision to close by companies such as Outboard Marine, SKF, Steep Rock, Armstrong, Essex, Bendix, whether you would consider that a disincentive in Ontario if we were to recommend it?

Mr. Moore: I would think that that would be considered a disincentive by industry, no question about it. I would observe at the same time--

I recognize the question you are asking is a general one, and it is hard to make it specific. There may be a place for a mechanism for government involvement in decisions of this nature. I don't propose to have the answers to that because it is not an easy question.

I think at the same time, if there is such a mechanism devised, it would need to have built into it some kind of, again, I would say responsibility on the part of government in becoming involved in the decision. What I am saying really is that most of these decisions, when you strip away everything else, they are based on economics.

Mr. Renwick: Every decision that has come before us has been "economic." That is the reason why it was made. The fact of the matter is, they are choices that were made. And the one which is made is considered to be the economic one, and the other one, the adverse choice, is considered to be the uneconomic one. And there is no justification for it.

Mr. Moore: I would not agree that there is no justification. But I agree, they are choices and ultimately, in

terms of a company or corporation, I suppose it falls right back down to the ultimate choices, do you survive or do you not survive. And with respect, I would suggest that in the case of companies like the Bendix situation, that was really the kind of choice that was being addressed.

I don't mean in the immediate future. They would be bankrupt if they operated the plant in Windsor for one more month. I am not suggesting that at all. What I am suggesting is that in the cataclysmic changes that are taking place within the automotive industry, that it would be my observation that it was Bendix's top management's best judgement that if they were to survive and survive in the long term in that industry, that they had to reduce their production capacity significantly, substantially and quickly and they did it, in their view, the most economic way to do it.

Mr. Renwick: Well, they did it to Fort Wayne rather than Windsor, that's what they did.

Mr. Moore: Well, they did it to Windsor rather than--

Mr. Renwick: Yes. It's just as economic for them to have continued the Windsor operation and shut the Fort Wayne one.

Mr. Moore: I am not saying that. I don't know all those facts. But what I am suggesting is that, in their best judgement, they made the choice that was for them economic and related in the long term to the corporation's survival.

Mr. Renwick: I have no doubt about that. They obviously operated in their own best interests, no question about that. Well, I have gone on too long.

The Vice-Chairman: Thank you very much, Mr. Renwick.

Since we have no further questioners, I think it has been a very interesting day for the committee. I think we have certainly had some diversified views from all the parties, and I would like to thank the representatives of the company, the union, the workers, and the city of Windsor for their presentations to the committee today. Thank you very much.

Before we close up for the evening, I might say that after consultation with the members, Mr. Saxe of SKF, it has been agreed that he was unable to produce the papers that were requested yesterday, and that these papers I take it will be produced tomorrow. He will have them tomorrow. Also, the Speaker has issued a warrant to the accountants for the Essex International.

No further business, we will adjourn the meeting until next week.

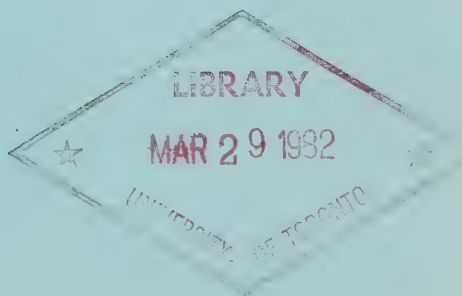
The committee adjourned at 5:46 p.m.

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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

GENERAL BUSINESS
ESSEX INTERNATIONAL OF CANADA CASE STUDY
STEEP ROCK CASE STUDY

MONDAY, DECEMBER 8, 1980



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE
ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)
VICE-CHAIRMAN: O'Neil, H. (Quinte L)
Cooke, D. (Windsor-Riverside NDP)
Cureatz, S. (Durham East PC)
Mackenzie, R. (Hamilton East NDP)
Mancini, R. (Essex South L)
Ramsay, R.H. (Sault Ste. Marie PC)
Renwick, J.A. (Riverdale NDP)
Taylor, G. (Simcoe Centre PC)
Turner, J. (Peterborough PC)
Van Horne, R. (London North L)
Williams, J. (Oriole PC)

Also taking part:

Lawlor, P.D. (Lakeshore NDP)

Clerk: White, G.

Researchers:

Eichmanis, J.

Fletcher, M.

Jennings, R.F.

Witnesses:

Meanwell, R.M., Accountant

Ross, B., Development Commissioner, Town of Atikokan

From United Steelworkers of America:

Cooke, S., Director, District 6

Gareau, H., Staff Representative

Hamrak, J., Former Officer

Sheppard, M., Former President, Local 5855

Wilson, F., Former President, Local 5855

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

MONDAY, DECEMBER 8, 1980

The committee met at 3:48 p.m. in room 151.

GENERAL BUSINESS

Mr. Chairman: We now have a representative group and we will begin our hearings. I call the meeting to order.

I wanted to do two things first. I do have a letter from the House leaders with regard to our winter schedule. I am looking directly at one of the three House leaders, Mr. Martel, from the New Democratic Party, when I say this.

Barring any discussion, question, or matter raised by anybody on the committee now, I think that I will just indicate a response to this note. We are going to stick to our winter schedule as outlined. There is very little room for flexibility for this committee. If that is agreed to by the committee, I repeat, we will be beginning our hearings Tuesday, January 6 and complete on Thursday, February 5--five weeks.

That is agreed? No comments on that?

Mr. Martel: I am in your hands, Mr. Chairman.

Mr. Chairman: What a delightful place to have you.

Mr. Patrick Lawlor is not a full-time, permanent member of this committee, but he has taken the time to come today and would like to speak to a matter that has some importance to him and to his own constituency.

Mr. Lawlor: Believe it or not, Mr. Chairman, to the committee, on Saturday morning last--I run a constituency office on Saturday mornings--a group of former employees of a company called Arrowhead, in the Lakeshore riding, formerly being Anaconda, came to the office and specifically asked to send a delegation before this committee at the earliest date possible.

I would think if you are free at all on Wednesday, I can get on to the right people. I have been trying to anyhow before we met today in order to see that they could have their representation here.

The problem is that there has been a prolonged strike through the summer at Arrowhead. It was settled in September. As a result of that settlement, 250 men were let go from a projected and promised tube plant in the plant itself. Twelve of these people came to see me previously, and five or six last Saturday,

who are among the members and among those people who are left.

3:50 p.m.

I have attended on the Minister of Labour, and on Larry Grossman, in order to see--there seems to be no good reason why those 250 men, except as a vindictive measure, are being kicked out, or laid off, or have no jobs.

I think it is all very well within your purview and terms of reference as to this kind of incident happening and perhaps it will add a dimension to your thinking with respect to shutdowns and layoffs in this kind of context. From my point of view, of course, it is a great shame. I would hope to stimulate to get that plant into operation. It is economically viable, it would appear; it was going to be brought into being at the time; it was used--they said, "If you do not agree to the terms of this settlement, then you will not get a plant and we will not go forward with this," and that all these men would be laid off. "If you do agree, we will go forward with it."

It is a very strange situation, particularly from an economic point of view, since it would appear, from the point of view of management itself, to be a viable operation and would certainly would be of great benefit, not just to Lakeshore, but many of these people work throughout the Metropolitan area.

I would ask the committee to give good consideration to hearing this delegation.

Mr. Chairman: Mr. Lawlor, thank you for the request. If I might make this suggestion, in the interests of moving along, that this committee hear the representatives from Anaconda-Arrowhead on Wednesday, December 10 at 10 a.m. for one hour.

Mr. Lawlor: Yes. At what time during the day?

Mr. Chairman: At 10 a.m. That would help you. Does the committee--

Mr. Lawlor: Can I touch base back with you, Mr. Chairman?

Mr. Chairman: I am in the hands of the committee. I simply threw that out. I did not have any consultation regarding it.

Mr. Mackenzie: I would move that they be heard for an hour at 10 a.m.

Mr. Chairman: Is that agreed? Agreed. Thank you.

We are in your hands now, Mr. Lawlor. We will be here Wednesday at 10 a.m.

Mr. Lawlor: I will touch base with you and make sure they can be here.

Mr. G. Taylor: With the view that we are going to hear this delegation, this raises for me, and has over a period of time as we have been hearing witnesses, some considerable consternation that prior to hearing the plight of these individuals, we are considering a report, albeit it has been labelled an interim report. I have the great fear that we have got this cart before our horse and have had for some time.

Maybe we should give a more thorough hearing to more groups, to more individuals, to a broader segment of individuals and groups, so that our report may have some substance, rather than trying to come to some conclusion with very little background material in it. I fear that is the present route we have. We have certain selected people before us, but it will be, I think, a report without very much depth to it, and rather than put anybody's hopes too high or too low as a result of an interim report, possibly the report could be delayed until we have more information.

Mr. Renwick: On a point of order.

Mr. Chairman: A point of order, Mr. Renwick.

Mr. Renwick: The point of order is that this is a matter which the committee has decided and the report will be completed for final presentation tomorrow evening; that is my understanding. It is the process that we had. I would ask that you consider the question out of order--the interim report.

Mr. Chairman: To the point of order, Mr. Turner.

Mr. Turner: No, I would like to carry along with what Mr. Taylor was speaking to. I too, have a constituency office on Saturday mornings. I think we are proceeding here with undue haste, with all due respect. I have had a request from certain groups in my riding. We seem to have come up with an agenda that was accepted in much the same way as this latest delegation was accepted. We are proceeding on a minute-to-minute, ad hoc basis without any priority, without any idea of what we are doing next week, or the week after.

With all respect, I would suggest that anything we do is going to be premature. I know there are many groups out there who would like the opportunity to come and appear before this committee.

It was my very clear understanding that we selected, rightly or wrongly, what we thought was "a representative group." The more I see and the more I hear, the less I think they are representative. With all respect, as I say, there are many groups who would like to be heard. I just think we are making decisions without much thought. I think we have heard--what, five case histories?

Mr. Renwick: Seven.

Mr. Turner: Seven? To come out with a report or a recommendation or a policy that is going to affect the whole of

this province, I think, is nothing short of ludicrous.

I get back to what I originally spoke to. I somewhat resent somebody coming in here at the last minute and making arrangements when I felt, when I had been told, quite clearly, what the agenda was going to be, what we were going to do, and we did not have any time or room for any other groups. Now, damn it all, I think we have to make a decision some place along the line on what we are going to do, not today particularly, but tomorrow and the next day, and stick to it.

Mr. Chairman: There are three other members of the committee who wish to speak to the point of order. Let me just do two things first, please. Mr. Lawlor's request, to me upstairs during question period, was that we give consideration to hearing from this group this week, if possible. Mr. Lawlor recognized--

Mr. Turner: But that is great, making deals during question period, but I think there is a time and place to do it.

Mr. Chairman: Making deals, my God.

Mr. Turner: Making arrangements or whatever.

Mr. Chairman: No. Mr. Lawlor recognized then, as he does now, that there would be an opportunity for--

Mr. Martel: I am just listening to what your colleague had to say.

Mr. Chairman: Yes. I know.

Mr. Turner: I hope you heard it loud and clear.

Mr. Chairman: There would be an opportunity in January for this particular group to make a submission. The list of names of people who have indicated a desire to speak to this committee in January is as lengthy as hell. It is one of our--as our agenda shows, on Wednesday it is a consideration of the agenda for January and February.

Unless I have missed something, Arrowhead will be dealt with sooner or later. There was no deal. It was an attempt to see whether we might hear from this group before we broke, and after we had considered our report. But I am in the hands of the committee on this. I just wanted to make everybody perfectly aware of the fact that staff has a very lengthy list of individuals and groups and appropriations for our consideration to hear from in January.

Mr. Mackenzie: I want to make three or four things fairly clear. I think the request is out of order. We have already worked on an interim report which was to be a pathfinder type of an approach. We voted on that; we voted on it at least twice, that I recall, up until now, and if we heard, for an hour, the Arrowhead group, it is not going to have any relationship to the interim report in any event.

The ad hockery of our system is not accurate either. We clearly decided early in the game that we would hear from both sides of the groups, company and union, and we have had seven good case histories put before us, maybe lacking the company side on one of them at this point, so it has not been a hit-and-miss.

There have been a couple of umbrella groups, I would suggest that Mr. Turner seems to be forgetting. We had the small business group here and that was certainly an umbrella group, and certainly the other side of the coin, if you are going to put in this one side of what you are hearing and what you are not hearing, and you might almost say the same thing of the industrial commissioner in Windsor, which was about as good a brief as we will probably get from the chamber.

I would suggest that we really have listened to two umbrella groups--certainly one umbrella group, so we have not had it all loaded the other way. If anything, it has been on the other side of it.

Mr. Turner: That was not my suggestion. I did not refer to umbrella groups.

Mr. Mackenzie: I am simply saying that we have already voted and decided on an interim report and we have been hearing both sides. The first half of the hearings were to be those affected, which was what we were trying to do in this committee.

Mr. Turner: Make up your mind what you are going to do.

Mr. Mackenzie: The latter half is the umbrella groups. Then you make the specific recommendations.

What we are doing now, as I thought, was clearly outlined and certainly was voted on, was setting an interim report that was some kind of direction of where this committee was going. I see nothing wrong with that. We have wasted the time of the staff and ourselves in the initial sessions if we are not going to do that.

4 p.m.

Mr. Martel: I do not know what we are doing this for. We had an agreement that we were going to look at an interim report. That will be discussed at the appropriate time. If there are reservations by my friends across the way and if we determine at that time we do not want to proceed, that is the time to do it.

Today is not the time, when we have brought witnesses all the way from Atikokan. We have only two hours. I would suggest it is better to consider the report when we meet specifically to deal with that matter, and I believe that is tomorrow evening. I do not know what the hell we are doing on it now.

Mr. Turner: You brought it up.

Mr. Martel: We did not bring it up.

Mr. O'Neil: Why do we not get on with the business rather than spending time on this?

ESSEX INTERNATIONAL OF CANADA CASE STUDY
(continued)

Mr. Chairman: We have a lengthy and busy afternoon with three important groups to hear from. I assume there is no further discussion on this matter.

If I might, first I will call to the table Messrs. Meanwell and Goodwin. Gentlemen, welcome to the committee. Mr. Meanwell and Mr. Goodwin are here in response to the request of the committee to have a look at the books of Essex International in response to a Speaker's warrant that was issued last week.

I want to say, before we begin, we have also to hear from Mr. Ross, the development commissioner of the town of Atikokan, and the United Steelworkers of America this afternoon. We have two hours ahead of us. I mention that to the members of the committee and ask them to judge their questioning accordingly.

Gentlemen, I welcome you again. I might say that the normal procedure has been that if you have a verbal or a written submission or an opening statement just go ahead and make it and, hopefully, you will be in a position to respond to questions from the committee. The clerk will be happy to assist you with any material you have for distribution.

Mr. Meanwell: I do have a brief statement, Mr. Chairman.

The Speaker's warrant directs us to be present to give evidence and to bring with us copies of the financial statements and auditors' reports for Essex International for the years 1975 through 1979, and, if available, 1980. We point out that we are not able to comply fully with that Speaker's warrant since we were not auditors after December 31, 1978. We do have with us copies of financial statements and auditors' reports for 1975, 1976, 1977 and 1978 and the working papers related thereto.

I just wanted to bring to the attention of the committee that we are not able to comply fully with that warrant.

Mr. Martel: You were not the auditors for them in 1979?

Mr. Meanwell: We were not the auditors in 1979.

Mr. Martel: I suspect we will need the auditors for 1979. Do you know who they are?

Mr. Meanwell: I believe them to be Price Waterhouse and Company.

Mr. Renwick: You will recall that the latest financial statement that we had available to us was the one on which your firm's name appeared as the auditors. We were placed in the very difficult position that, despite the efforts by the clerk of the committee, we could not persuade anybody to come from Essex International outside the jurisdiction, anybody who is knowledgeable about the questioning and the matters that are before us. They were, shall we say, at all times polite but also

unco-operative with the committee. Finally, they are now going to appear--at least two representatives of United Technologies are coming to see us tomorrow afternoon.

Basically, what we had wanted from these various companies we have had before us is to get the appropriate connected period of financial information. Therefore, we have asked for five years for those companies that were prepared to provide it to us. I think, in one case, we felt we may have had to go for 10 years. Basically, what we wanted was the financial information which will allow us to have a sense of what has happened to the company in financial terms over a period of time.

What we would like to have from you, if we may, is the financial information which can be made available to the staff of the committee for the period of time that is within your control, or within your knowledge and information. Then, presumably, if Price Waterhouse are the auditors for the last two years, perhaps the clerk could simply get in touch with Price Waterhouse. Maybe they would be prepared to provide the information. If not, I imagine we will have to ask for a warrant against Price Waterhouse to appear and provide us with the missing information.

Mr. Chairman, I would suggest, if it is agreeable with you, that one of the members of the staff of the committee meet with the auditors, who have very kindly come before us, and get the information that we need about Essex International in such a way that we can have it in an intelligible way before us when the representatives of United Technologies come here tomorrow afternoon. That would be a useful way to proceed.

Mr. Chairman: It seems like a reasonable suggestion. Is there any comment from members of the committee?

I know that you gentlemen responded to the best of your ability. We appreciate that, particularly under the short time period. Clearly, the 1979 numbers are of more interest and relevance to the committee, so we are in a bit of a quandary. Mr. Renwick's suggestion does save your time and, as we have a great staff here, they could meet with someone actually right now, if your time permits.

Does the rest of the committee concur in that?

Mr. Mackenzie: I do not concur totally. I am not sure that just 1979 is the crucial year. I think the years they have, the five-year period, is what we wanted.

Mr. Renwick: That is right.

Mr. Mackenzie: We will have to go for 1979, of course.

Mr. Renwick: Then we will have to arrange for Price Waterhouse. Perhaps the clerk would go ahead also and try to arrange with Price Waterhouse for the concluding years, Mr. Chairman. It is essential that we see the five-year period or we will not understand it.

Mr. Chairman: Thank you for that. In the light of that, Mr. Meanwell and Mr. Goodwin, if you would be good enough to meet with Mr. Graham White, the appropriate papers can be handed over to him. If there is any discussion that would help us, Mr. White will bring that message back to the committee.

Mr. Meanwell: May I have clarification of the documents that might be required by the committee? We have financial statements and auditors' reports for each of the years 1975 through 1978. We also have auditors' working papers that are comprised of 17 rather bulky file folders that relate to our audit performance for those same years. Is it the wish of the committee that we leave all of these documents or only a portion of them?

Mr. Chairman: Sir, I think it would be the wish of the committee, subject to an interruption, that all of the working papers be left. We would look after them in safe keeping here. I take that as concurrence.

Mr. Renwick: And, of course, return them in due course as promptly as we could.

Mr. Chairman: Is it the wish of the committee that these witnesses be excused and meet now with Mr. White?

Mr. O'Neil: If I could ask a question, why were you terminated as auditors in 1978 and did not continue on for 1979 and 1980?

Mr. Meanwell: The reason that was proffered to us at the time was that since the Essex group had been acquired by United Technologies, it was consistent with their policy that they have all of their enterprises audited by the same firm. That is not an uncommon situation and that is what we understood to be the case.

Mr. Chairman: Thank you. You may be excused. We apologize for the inconvenience that this put you through. Mr. White will meet with you, gentlemen.

STEEP ROCK CASE STUDY

Mr. Chairman: Mr. Brian Ross, development commissioner, town of Atikokan, sir, would you come forward and identify yourself in the microphone for the record? Am I correct in assuming that you have a submission, an opening statement, that you would like to make?

Mr. Ross: Yes, I will make a statement. I do not have anything prepared that I can hand out or leave with the committee, but I do have some remarks.

Mr. Chairman: That is a blessing in disguise actually. We appreciate that.

4:10 p.m.

Mr. Ross: Mr. Chairman, recognizing that the committee's time is short, I will try to be as brief as possible in my own

remarks and then as fulsome as necessary in response to questions from the committee members.

First, I would like to express the township's appreciation for the opportunity to represent it before the committee. The invitation was initially made to the elected representatives of the town. Unfortunately, municipal elections come at an awkward time for this particular committee meeting and the incumbent and the replacement were both unable to make the trip. I am representing the town at the council's request.

I am sure that by now you have had a background on the township of Atikokan and its history since its formation in 1899 as a small, remote community. It developed first as a rail division point; later, with the advent of the Steep Rock Iron Mines operations in the 1940s, it became quite a large community. It peaked at the end of the 1950s with the Caland Ore developments to a population of over 7,000, due in part to the construction activity of opening up new mines.

Through the 1960s the town went through the normal cycles of a mining community. In the early 1970s, it became aware that its life as a mining community was coming to a close. In November 1972, Caland Ore Company forewarned the council that in about four years they would be terminating their mining operations. In response to that, the council in February 1973 formed the Atikokan industrial development committee which continues to this day in the job of trying to find replacement industry and a diversified economic base for the community.

Following its announcement in late 1972, Caland for various reasons extended its operations and did not shut down until this past year. During that time the community took quite a number of steps, which I can go into in greater detail later if anybody is interested, but essentially it took the initiative and pursued alternative bases and successfully attracted the Pluswood manufacturing plant, which is now employing in the range of 130 people producing particle board in Atikokan. That plant opened in 1976 and came on stream right when it was supposed to, to match up with Caland's phase-out. Caland did not phase out then so that we had a little bump in our employment at that time.

The township representatives were also successful in attracting Ontario Hydro and inviting Ontario Hydro to consider the Atikokan area as a possible site for a coal-fired thermal generating station. Having done the analysis, Ontario Hydro came to the conclusion that it made as much economic sense to put it on Marmion Lake as it did to put it on the north shore of Lake Superior. That plant continues to be under construction and should come on stream in 1984. It has provided a nice transitional base of activity to keep our commercial and retail sector healthy during the rebuilding years and to keep a flow of activity going through the community.

The shutdowns took place over the last two years. At the time, just before they started, Atikokan had a population of 5,733 people with an employed labour force of just under 2,000. Half of those were in the two iron mines and the related pelletizing

operations. As of this September, the population of Atikokan is 4,703 people, a decline of just over 18 per cent. Our employed labour force, according to a survey done late this summer, was about 1,465, a drop of between 500 and 550 in employment consequent to the mines reducing employment by 1,000. In other words, there have been about 400 to 450 replacement jobs.

Mr. Renwick: As of what date did you have your peak of employment?

Mr. Ross: I used the 1978 figures when both the mines were operating before they began their layoffs.

Mr. Renwick: What was that figure?

Mr. Ross: At that time, 1,984 people were employed; 986 of them were employed by the two mining companies.

Mr. Turner: What was the total population figure?

Mr. Ross: The total population figure at that time was 5,733. At the current moment our unemployment is running between 300 and 350, according to Canada's Employment and Immigration registration figures.

Mr. Renwick: As compared with?

Mr. Ross: There was previously virtually no unemployment of able-bodied employable persons in Atikokan in 1977 and 1978. We are running about a 17 or 18 per cent unemployment rate right now.

Mr. Mackenzie: Mr. Ross, the 1,465 employees that you show now in the area, are all of them first time and do you have any idea as to the kind of financial breakdown now as against two years ago?

Mr. Ross: We do know that average hourly wage and average family income are both lower. The replacement jobs have come in the woods industry, primarily in the harvesting end, and in the accommodations and retail sector, neither of which reach the levels of wage that were paid in the mining industry.

Mr. Mackenzie: Are you able to put any kind of a percentage or figure on it?

Mr. Ross: I would not have that, unfortunately.

Mr. Renwick: Mr. Chairman, if this is a convenient place, could we deal with the numbers again. When the company appeared before us on Tuesday afternoon, November 25, Mr Lamb was present, Mr. Zucchiatti, and Ed Jackson, the employee relations manager of Steep Rock was present.

Mr. Jackson, in speaking to the committee, said: "I have made a summary of what has happened to these people. Out of 480 we have been able to determine that 69 of them have retired, 167 are in local employment, that is, employment in the bush and locally in the town itself with other employers, municipal construction,

working on a casual basis, working at the Hydro, working at Dometar. There are 112 who went out west"--and he indicated where he thought they had gone to, mainly the reference appears to be to the coal mines, in particular the Warnex mining operation out west--"37 went to various occupations in the east and 32 took training in Atikokan.

"We have not been able to determine as yet the remaining 63 which we do not have a handle on, I would presume these people are unemployed or on unemployment insurance.

"That brings our total to 480 and gives you some idea of the disposition of these people."

Do you have any different or better information than that?

Mr. Ross: Those would be the Steep Rock employees who, of course, were laid off considerably before those at the Caland. The figures I have been giving you are aggregate for the township. The figures of Mr. Jackson would be subsumed under mine. Our transition counsellor has identified approximately 260 families, for example, who have left Atikokan since the mine closures. They would be both Steep Rock and Caland ex-employees. Certainly I would have no reason to doubt those figures, based on mine.

4:20 p.m.

Mr. Renwick: Mr. Lamb then picked it up and made a further point: "You talked about having 600 employees to start with, and Ed has referred to 480. We still have approximately 20 employees and from the time of making the announcement early in 1978 when we had 600 employees, normal attrition took us down to that figure of 480 who were actually laid off or terminated at the end of January and February of 1979. So we started out with 600, 100 left, normal type of quitting, some hastened by expected closure. We retained 20 and 480 were terminated, retired or did other things."

Mr. Ross: The figures I was giving are those that were based on an employer survey done in 1978 just before Steep Rock began laying off, so it would be when they were at that level of about 500 rather than when they were at the level of 600 which would be early 1978, in fact back in 1977. At one point the two mines had closer to 1,200 employees, earlier in the 1970s.

The other points which I wish to bring to the committee from the township's standpoint are the kinds of actions that the township of Atikokan has taken in response to this foreknowledge of closure and after the closure took place. I do not think I can emphasize enough that the major characteristic of the township of Atikokan's response is that it was local. It has been under the guidance of local leadership, local initiative from 1973 when the then reeve, Sid Hancock, decided that there would be a committee of council devoted to pursuing alternative economic base.

To the extent that these things could be measured this soon after the event, the township has been singularly successful in

the brief time it has had to respond. I say this for several reasons.

Firstly, we have not had in the last two years a permanent business closure in the township of Atikokan. I know of very few communities anywhere in North America that can make a similar claim.

We have seen local people find alternative employment for themselves to the tune of almost 50 per cent of the required replacement employment. We have a new major employer in the community in Pluswood Manufacturing which is in the process now of expanding and that expanded line will come on stream in January of 1981.

The community is still a vibrant and vital place with an awful lot of action going on down the main street and through the recreational facilities; the use is still very high. Through good management over quite a number of years before the closure and in anticipation of it, the town ensured that it did not carry a large debt. The facilities which the town has, which are extensive, are paid for. There is, in fact, a reserve fund.

There has been significant senior government involvement in Atikokan. It has always been in response to an initiative brought forward by the township council or those bodies which were formed to respond. The aid committee is one, the Atikokan joint manpower assessment and planning committee which is made up of the council, the unions, the major employers throughout the area and senior governments is another of these vehicles.

There has been extensive senior government assistance but to this time, to my knowledge, the lead has come, and will continue to come, from the local leadership.

The future of the community is going to be based on the resources which it has. There is still a high level of mineralization in the area. We have two major woods firms located in or near the community in the form of Domtar and Pluswood. The Pluswood board itself is a raw material. There are large, extensive, clay deposits and we continue to enjoy a very highly skilled labour force. We have a pool of skilled labour in areas like machining, welding, industrial mechanics, et cetera. Most of the industrial infrastructure is now in place to provide serviced industrial land, and serviced floor space for smaller firms.

I think that pretty well covers the impact figures and the kinds of actions that the community is pursuing.

Mr. Chairman: A couple of the members of the committee have questions, Mr. Ross, and there may be some things you wish to amplify later. Mr. O'Neil and Mr. Martel.

Mr. O'Neil: We had a brief, I think, as Mr. Mackenzie alluded to, from the Windsor industrial commissioner and he seemed to be telling us that we should not be interfering too much with industry; in other words, if we place certain restrictions on them

it would be harder for him to attract them to his area. What is your feeling along this line?

Mr. Ross: As with so many things, some restriction is required in organized society. My personal view is that restriction of industrial activity must be balanced against the gains that the society hopes to achieve from those.

In the case of Atikokan, for example, in setting up the restrictive covenants for our new industrial park, we have taken into account that we are in a buyer's market, not a seller's market. And while we will certainly expect the necessities to be looked after, we are not going to get too picky about the size of the sign that the person may wish to put up, or the colour that he may wish to paint his building. So we have to balance restriction against our desire to in fact attract industry, and to have a long term economic base.

I do not think it would be appropriate for me to make a more general statement about Ontario or indeed the national economy.

Mr. O'Neil: I suppose what I am trying to find out is, we are talking about such things as a week's severance pay for each year of service, are there things that you feel the companies should have done or could have done that they did not do to soften the blow on this community?

Mr. Ross: There is always something. There are always more things. I think, in fact, the two companies in question, while not angels, have done quite a good job of their shutdown compared to some of the experiences we have seen elsewhere. Particularly in the latter case of the Caland shutdown, the company made available to the town, equipment, materials and buildings. They donated those things which would be useful to the town in attracting other industry. And this was done, to a large extent I think, because of the local management that was involved in the company.

There is always more that could have been done. Certainly in the case again of Caland, the advance notice was itself a major positive softener, giving the town four years' notice and then, as they became aware that the mine would last longer they rolled that notice back, but always keeping in front of the town that there was a date after which they would not be operating. It was a great benefit.

4:30 p.m.

I am sure that there are more things that could have been done, particularly to ease the transition for employees of those companies. I have been looking primarily at what they could have done to ease the transition of the town. I think it is the town's responsibility, having foreknowledge that the transition is going to occur, to lead the response. I did not find the companies, in the two years that I have been involved, to be backward about responding to municipal requests for assistance.

The Vice-Chairman: They weren't very helpful to the

town. You are talking about the number of employees that were able to be placed somewhere else or in some other job situation. There would be approximately 300 unemployed?

Mr. Ross: There are between 300 and 350 unemployed. I should stress that I am talking about the number of persons employed. If we were to look at those, some of those new jobs are not filled by people who came out of either of the mines. We are looking, in terms of my office's operation, at the total employment, rather than at the individuals and the placement of individuals into jobs. We are looking at the creation of jobs to provide an economic base for the community.

The Vice-Chairman: Was there any preference given to people who did come out of the mines? Did they have first opportunity for some of these jobs, rather than new people that came into the town?

Mr. Ross: In the case of the woods operations they hired the experienced industrial labour that was in town. A lot of those jobs in the woods industry used to be filled by camp labour that was in for a while and then out. It has been replaced with these people who now have a permanent residence in the community. They are millwrights jobs, field mechanics; this type of work.

Mr. Martel: I am torn between the two hats, Mr. Ross. On one hand you have done some hard work in order to promote further employment, and on the other hand you rationalize that it has been successful because no small businesses have closed down and so on. But in between the two positions, there have been one hell of a lot of people in Atikokan hurt. One can't take from that the numbers who have simply walked away from a home, or at least a major investment in a home, because they couldn't sell it or because the sale price was so low they would not begin to get back the equity that existed in the home when the operations were in effect.

I realize you are being cautious. As industrial commissioner you have to be cautious, but I would hope you would not be overcautious. I know you have to induce new business there, but there is that loss there. If one were to remove the construction people who are working on the Hydro site now--those are people new to the community, I suppose, many of them?

Mr. Ross: At least a third of the labour force at the Hydro site last summer were local people.

Mr. Martel: In fact, the employment figure of 1,465 includes--

Mr. Ross: It includes 87 people who were employed at the Hydro site and who maintained a permanent residence in Atikokan. That is based on the Ontario Hydro August construction figure. Eighty-seven is a third. There was another third who were boarding in town. I would assume they were from out of town. The final third was living in the singles' camp out at the Hydro site.

Mr. Martel: Those people, of course, when construction is completed, will move away too.

Mr. Ross: A large number of the local employment at the Hydro site is in the year-round jobs of security, administration, and then some of the seasonal jobs in camp maintenance and so on. The jobs which are under direct Hydro control have predominantly been filled locally.

Mr. Martel: Can you tell me how many people virtually have had to walk away from a home?

Mr. Ross: I can't give you a number on that. I can tell you what the vacancy rate in housing is though. As of about three months ago in the Don Park area, for example, which is the housing that Steep Rock built and sold part of to employees, there were 51 vacant houses. Mr. Jackson was telling us earlier today that 38 of those are Steep Rock homes. In the town as a whole, our total vacancy rate is about 10 per cent. A very high proportion of that is basement apartments and vacant trailer home lots.

There are something like 120 to 130 homes that are vacant in Atikokan as of about three months ago, and almost a third of those are owned by the company. So there is a potential 80 homes that may have been walked away from, except that I am aware in several cases those homes are still owned by people who intend to rent them out, who intend to come back. We have already had some return. Some of them have been bought speculatively.

Mr. Martel: Of those who are there, many of them are having financial difficulties, of course; the workers who have been laid off. I talked to some when I was in Atikokan who are having tremendous difficulty, or will on the rate of pension they are going to get, to maintain that residence unless they own it outright and have no mortgage.

Mr. Ross: For the homes that were bought from the company, the mortgages run at about \$120 or \$140 a month. Those who bought homes more recently, of course, are facing a more difficult situation.

There has been, interestingly enough, a lot of houses change hands as people have upgraded their housing. There has been an average of 10 homes a month change hands in Atikokan during the past year. Many of them were the better quality homes which were being bought. People were moving across town, so to speak.

Mr. Martel: How many jobs have you been able to create, exclusive of Hydro?

Mr. Ross: Exclusive of Hydro and exclusive of Pluswood--

Mr. Martel: Pluswood goes back to 1976, right?

Mr. Ross: Yes, 1976.

Mr. Martel: I am talking of since the mines shut their doors.

Mr. Ross: Pluswood has increased its employment during that time and will be increasing it again next month when they will be taking on about 30 more employees. There has been an increase of about a bit over 100 in the commercial retail accommodation sectors.

This relates, in part, to servicing the considerable amount of construction activity that is going on throughout the area, but also to an increase in total tourism activity that we seem to have accomplished.

There are about six or eight new small service activities, appliance repairs, starter rebuilders, that type of thing, started up by ex-employees in some cases, and these are one-man and two-man operations. There is a machine works which is averaging four and a half to five employees right now. There is a new bakery that is running eight to nine employees.

There has been some replacement. When Firestone left, it was replaced by one of its employees, and he is employing three people where they employed two. It is a case of a little bit here and a little bit there.

I am not sure of the exact number but there are quite a number of new independent contractors and truckers. Whereas before this was being handled out of Fort Frances or Thunder Bay, now Atikokan men who were heavy equipment operators or mechanics with the mines have bought equipment and have gone into the logging industry either as truckers or as independents. I am not sure how many they account for. It could be as many as 30 or 40 jobs there.

Mr. Martel: And you will lose more employees when the Canada Manpower training courses terminate?

Mr. Ross: Manpower training courses have accounted for 46 to 48 trainees. The first round of welding courses is finished and there will be another 12 or so starting up shortly. The second phase of the carpentry course is going on, so that will be another 10 to 12 there.

As these younger fellows are trained, yes, I think they will probably be leaving Atikokan. Most of them are single and mobile, and there are no welding jobs for them in Atikokan right now.

4:40 p.m.

Mr. Martel: I know you are aware that Steep Rock is sitting on \$56 million in the bank, or \$54 million. I guess that is what I find offensive, with Bending Lake so close, with the ability to reinvest, with the decision to import most of the iron ore into Ontario.

When you talk about no intervention or being too restrictive, it is hard for me, coming from a town which has also seen 250 men lose jobs, to say we cannot be restrictive. I think the government itself should be saying if we are going to dole out the largess to Algoma or to Dofasco or to Stelco, we also have an obligation to say that, because we are being generous to you with

various tax writeoffs, you have a responsibility as corporations to exploit the resources in Ontario rather than importing them. I am not sure your philosophy goes as far as mine that way. Obviously it does not.

Mr. Ross: Perhaps we are not as far apart as you are assuming. It is just that I am looking to a different field. I don't think we should be taking Bending Lake ore and hauling it east; I think we should be taking Bending Lake ore and hauling it west. I think there is a market in Canada for Bending Lake ore which has nothing to do with the Great Lakes.

Mr. Martel: Where would you send that, all the way to the--

Mr. Ross: I would either bring the Alberta gas to the ore or bring the ore to the Alberta gas, but I would put those two together in direct reduction and service the western steel demand in Canada from a location much closer to the demand than the shores of Lake Ontario. I would look for a western solution.

Mr. Martel: Sault Ste. Marie isn't--well, it is still a fair distance from you, but surely to God it is possible for poor little old Algoma, which is just a small part of Canadian Pacific Investments, they should certainly have a responsibility after the plentiful--I am not sure that is the right word--our magnanimous donations in land to Canadian Pacific Investments over the years--was it 24 miles across Canada? We have been very generous to Canadian Pacific Investments, which owns Algoma. It seems to me it is about time that Algoma started to return some of the benefits which this country has bestowed on Algoma. I will not ask you to comment. Thank you.

The Vice-Chairman: I remind the committee that it is a quarter to five and we have the union to hear from yet.

Mr. Renwick: I will be quite brief, Mr. Chairman. I am a little bit confused on these figures. The 300 to 350 people who are at present unemployed in Atikokan, would it be your best guesstimate that they are former employees of Steep Rock or Caland?

Mr. Ross: At least 75 per cent of them, yes, probably higher.

Mr. Renwick: The great bulk of them.

Mr. Ross: Yes.

Mr. Renwick: There is a strange discrepancy, although not say that, because you said a goodly number of them may be Caland people, but the breakdown the Steep Rock people gave us about their 480 left only 63 as what they referred to as "not having a handle on," which I guess means they are unemployed and on unemployment insurance.

Could you hazard a guess as to what the split of the 300 and 350 was with respect to Caland and Steep Rock?

Mr. Ross: I am quite sure that the majority would be Caland because these are registered unemployed. Mr. Sheppard, who is coming up shortly, may be able to clarify this better. The registered unemployed will include, primarily, those who are receiving unemployment insurance benefits, and those would be predominantly Caland employees. For the Steep Rock employees, their benefits have run out.

Mr. Renwick: That is long gone. Do you figure that figure of 300 to 350 is pretty accurate, though?

Mr. Ross: As of August 14 of this year it was 304 on the nose. The figure is fluctuating around, but I am using Employment and Immigration figures.

Mr. Renwick: Is it getting worse or better?

Mr. Ross: We have a seasonal dip; and it has become a little worse recently, as you would normally expect.

Mr. Renwick: It would be at the upper limit now?

Mr. Ross: Yes. I think 350 is about as high as it is going to get.

Mr. Renwick: But that is about where it would be now?

Mr. Ross: Yes.

Mr. Renwick: The other matter, just to clear it up: we heard a rumour--I think that is all it was, a rumour--that the school was going to close. Is that right? Did any educational institution in Atikokan close as a result of the closing of the mines?

Mr. Ross: There was a debate over a year ago, not coming up to this present school year but coming up to the previous school year, when everyone was still anticipating that all of the unemployed would leave town in response to job offers; the school board laid off a whole lot of teachers and started talking about maybe having to shut down some classrooms, and maybe even having to shut down a complete school.

What happened is that they then had to go out and hire back all the teachers, because the people did not rush away from Atikokan, and they still have not.

We have had a decline in enrolment, certainly, but it is only at double the rate of decline that we had before, that is double the normal declining enrolment.

Mr. Renwick: If the committee wanted to follow that up, I suppose we could do it by correspondence with the board of education. That would be the easiest way.

Mr. Ross: I have here the enrolment figures for the last several years if you want to look at them.

Mr. Renwick: The third area which I want to touch on just very briefly, one of the things that the committee is obviously going to have to respond to is what has been the impact upon a community and what has been the response of a community to the shutdown. It was interesting that when very indirect, informal requests were made to Scarborough when we were dealing with SKF, they were not prepared--or did not come before the committee in any even.

The Lindsay commissioner did come before the committee and the Windsor commissioner did come before the committee. We got a kind of gradation: presumably on a plant shutdown in Metro the effects are so diffuse that it is hard to measure it, perhaps, and get to it, but certainly the Lindsay commissioner had a pretty clear handle on the impact on Lindsay of the shutdown of Armstrong Cork. I assume even more so with Atikokan, that someone with the proper skills could pretty clearly analyse and comment on the impact of the shutdown, both on the municipality, on the educational system, the social consequences that my colleague, Mr. Martel, was referring to.

The other aspect of it is that the town's response in a strange way seems to me to have been a relatively positive response, if one can judge these things from this distance.

I think what I am getting at is that I think the committee should be prepared, in its final report, to at least look at a place like Atikokan and a place like Lindsay and get the actual data of the impact on the community of the particular shutdown, with respect to the municipal government, with respect to the school board, with respect to other services that are provided.

I think it would be helpful to others, without indicating that you can lay down a rigid framework of response--there must be a number of response models that are available to people in a community who are suddenly faced with one of these arbitrary company decisions, there must be some general pattern as to what they can do to respond. For example, the industry search committee that you had and the other committees that you had obviously put together would be of some use. That is simply to say I think that is something this committee should respond to after the new year.

4:50 p.m.

Just before you go on, have you any indication what the effect on the tax revenue or the assessment of Atikokan is as a result of these shutdowns, how the municipality fared out of this in dollars?

Mr. Ross: The two companies in question were part of the municipality, and they formed a good half of the assessment base. The tax revenues accounted for approximately a third of the total revenues of the town. So effectively, the potential loss is about a sixth of the town income. However, in fact, the Steep Rock property is in mothballs and consequently is being taxed at 50 per cent of normal rate; part of the Caland property, which reverted to Steep Rock, is in the same category and the rest is being taxed at a vacant rate closer to 10 per cent. Our clerk-treasurer, I

know, would be pleased to provide information on the implications for our tax revenue more exactly, but it is probably in the range of a decrease in total revenues of between one fifteenth and one tenth, in that range--seven to 10 per cent.

Mr. Renwick: Seven to 10 per cent, somewhere in that range, is your guess as to the net loss in revenues to the municipality?

Mr. Ross: At this point in time, yes. As I say, the community was anticipating that and consequently is virtually debt free; the community had put most of its capital facilities in place so that it would not be faced with a difficult revenue situation while it was trying to make the transition.

I would like to respond to your comment about the data that is available in a small community. I cannot speak for Lindsay, but I can assure you that in Atikokan, we have excellent documentation available if the committee wishes it. It is in the form of reports from my office; it is also available in the form of the I-hope-soon-to-be-released Northwestern Ontario Municipal Advisory Committee report titled The Atikokan Story, which was done by Bob Michels, of Quetico Centre, which traces the history of the Atikokan response from 1972 forward. I think you will find it a very useful document.

I cannot give you this now, but it will be available tomorrow because it is being presented to council at that time and that is when it becomes a public document: this is the second annual community monitoring report from Ontario Hydro, which is done jointly with Atikokan. This contains the social statistics in which I think you may be interested in terms of increased alcohol and drug abuse, the medical records from the community hospital, police reports, as well as all the economic indicators that could be collected. There are two of these now, this is the second annual report of this nature.

Mr. Chairman: Mr. Ramsay, you had a supplementary?

Mr. Ramsay: I was just going to support a point that Mr. Renwick was making, but I don't think he needs my help, so--

The Vice-Chairman: I wonder, Mr. Ross, if some of the staff were to speak to you today before you do leave, if you could mention again some of those reports that would be available, when they are available, and if they could be obtained for the committee? On behalf of the committee I would like to thank you for taking time to come down so far to see, and thank you for appearing before the committee.

I wonder if we could ask Mr. Stewart Cooke and his delegation if they would come forward please?

I have also been reminded, Mr. Ross, and this also applies to other members of the delegation from the Atikokan area, that Mr. Reid asked that it be mentioned here in the committee today that he has some other engagements in the riding, that he would have liked to have been here but he has been unable to be here.

Mr. S. Cooke: I see, Mr. Chairman, that the parliamentary trick of calling it 3:30 of the clock is now here.

The Vice-Chairman: I beg your pardon? Would you like to explain that a little further, Mr. Cooke?

Mr. S. Cooke: My appointment was for 3:30, sir. That is why I assume it is now parliamentary 3:30 of the clock.

The Vice-Chairman: Thank you very kindly. Would you have the members introduce themselves please?

Mr. S. Cooke: I am Stewart Cooke, director of district six, United Steelworkers of America; and I have with me, Mr. Chairman, Mr. Henry Gareau, staff representative who has serviced our local unions in the Atikokan region for these many years and has had the unfortunate experience of having to watch that community go through the rather difficult process of mine closures and to try to service our membership in that situation. I have also with me Mr. Moses Sheppard, former president of our local union 5855, and also a member of the Atikokan town council, or township council, whatever it's called now.

I might say that I regret the fact that we were unable to have a couple of our people here, Mr. Alec O'Neill and Mr. Larry Nault; but we do have Mr. Fred Wilson, former president of 5855, and John Hamrak, former officer of our local union 5855.

We have put together a submission, which I think you have, dealing generally with the situation. The first paragraph, of course, sets out how we feel about this whole thing. In our view it is important for you to understand that while our remarks will refer to the iron ore situation in the cases of Steep Rock and Caland specifically, there are broader issues involved in these mine closings.

The hardship for workers, families and communities involved are symptoms of a broader failure on the part of government, and this failure is the lack of an adequate resources policy linked to an industrial strategy for the province. The bitter facts of shutdowns and employee and family dislocations are the reflections of this fatal weakness in public policy.

The iron ore situation in Ontario continues to be plagued by the waste, irrationality and corporate irresponsibility of the boom-and-bust cycle in single industry resource towns. In the last two years, approximately 1,500 of our members have been cast out onto the street by iron ore mine closures at Marmoraton, Moose Mountain, Steep Rock and the Caland mines. At the same time, Ontario steel mills are importing some 60 per cent of their iron ore pellets.

You will see on table one, page two of the submission, in the scale from 1968 to 1978, both the tonnage and dollar value of the ore, and the fact that it is--well, it seems to me to represent a very significant deficit when we could really supply a great deal of our own.

As the above statistics show, there has been a rising trend for more and more iron ore to be imported into Ontario, both in tonnage and in value terms. This trend has escalated in volume in the past five years.

Mr. Lamb of Steep Rock management did not give a fair representation of this issue when he appeared before you on November 25--transcript pages 31, 32. He cited greater figures for export of iron ore from Canada over imports. The fact of the matter is that we are, in Ontario, using more and more imported pellets. This should not be lost in the general export statistics which include large mines in Quebec and Labrador.

We do not have the exact figures on US deliveries to Ontario steel mills, because the companies do not make them public and the government does not require them to do it. This situation is made worse by the fact that the mines being closed still have reserves available. As well, there are huge untapped additional reserves available, particularly in northwestern Ontario.

The steel companies, with the apparent agreement of the Ontario government, argue that the existing mines are uneconomic and must be shut. We reply, "Uneconomic for whom, and whose costs?"

Several years ago the steel companies made a conscious decision not to develop iron ore deposits in Ontario and went instead to acquire assets such as the Tilden mine in Michigan, Hibbing and Eveleth mines in Minnesota. The latter were seen as cheap alternative when the Canadian dollar was trading at a premium in relation to the US dollar. Now the Ontario mines are being closed and the cheap mines have become costly as the dollar has shrunk.

5 p.m.

The total yearly requirements for the three major Ontario steel companies is approximately 15 million short tons. The Ontario mines remaining in production have a capacity of 6.27 million short tons. All of the major Ontario companies have interests in iron ore and pelletizing operations in the US. And there you have a listing of those.

Assuming the Canadian mills take their full allotment, based on share ownership--which, by the way is the general policy in the iron ore business--that 45 per cent of our mill capacity would be supplied from the US. It is our understanding the steel companies, in spite of the expanding exports to the US are actually running a dollar deficit because they are having to pay for huge imports of coal and iron ore in US dollars.

Having made a bad investment decision, the steel companies are now imposing the real economic costs on the iron ore miners, their communities and the public purse of Ontario. The steel companies say places like Caland and Steep Rock are too costly and therefore must be closed. Too costly for whom? The marginal costs of the company balance sheet is too narrow and short-sighted an economic measure. The real costs are being borne by the miners

thrown out of work, families' finances destroyed as people are left with houses they cannot sell, relocation expenses to find other jobs, et cetera. Further, the local communities as well as the provincial government must now pick up the tab for wasted infrastructure in the form of sewers, water, schools, hospitals, et cetera. How about the need to guarantee a proper return for social investment, not just private corporate investment?

Further still is the worsening of Ontario's unemployment, the balance of payments position as we lose revenues, production and jobs to the US. Steel companies are only transferring the real costs on to private, individual workers, their families and the public purse.

We recognize that a very difficult situation was created at Steep Rock Mine. It was basically because of bad management. They did not drill and cut at a wide enough angle in the first place, which in effect, allowed Steep Rock to be high graded. Much later then, this created a large safety problem with the walls that made continuing virtually impossible.

However, at Caland, a viable operating mine was closed out at the stroke of a corporate pen. The total in the transition zone was some 1.5 million tons of ore already blasted and needing no stripping to be available. Further, there were some two million cubic yards of ore in the North Mink deposit and another one million cubic yards in the East Lime Bay. Covering the remaining deposits is some four million tons of overburden, three million of which can be free mucked with no blasting required. A clearance program of one year would expose an additional five years of ore.

In summary, there is a sizeable and economic grade, 60 to 62 per cent of iron ore reserve at Caland. It is not that the steel companies cannot extract it. The truth is, they do not want it because it will cost them marginally more, given the investments they have made in the US.

In the second part of our presentation, Mr. Henry Gareau and Mr. Moe Sheppard--I am sorry, Mr. O'Neill is not here--will be making further submissions based on their experiences at Steep Rock and Caland.

Mr. Chairman, I want to talk to you a little bit about the reason we are including Caland. It is not just because they have not appeared before the committee and it will confuse things, is that we are talking about the same iron ore body, that Caland leased Steep Rock ore body, and those leases go back to and are owned by Steep Rock. So the ore we are talking about that is available, is available for Steep Rock, and is only because of the continuance of leases to Caland or beyond the time that they had originally decided to lease them to them that made the ore body unavailable.

Steep Rock had actually started to prepare for the mining of the ore that remains at Caland before they agreed to the extension of the leases which simply brought royalties and a whole lot less cost, bringing money into Steep Rock. And then they let it go to

die when Caland decided, rather than when Steep Rock decided, and finally mined out the ore.

What Ontario needs is a long-term plan to integrate iron ore and steel production as part of an industrial strategy to upgrade the processing of our resources, and give sustained employment and stability to northern Ontario communities.

The next stage in development in our view, is to bring on stream the iron ore deposits at Bending Lake. The existing mill and community facilities at Atikokan should be utilized to both speed things up and reduce the wastage of our social capital.

The reserves at Bending Lake are estimated to be 125 to 130 million tons. And it is our understanding that the only barrier is the provision of appropriate social and technological infrastructure. Social services are already available at Atikokan, though they would need some additional transportation facilities. The unique technological feature of this project would be a slurry pipeline to bring concentrated ore to the pelletizing plant at Steep Rock some 40 miles away. This is technology the province could give serious consideration to getting involved with. It could become a high technology growth area and an important contribution to resource development planning, including the huge deposits at Lake St. Joseph.

In our view, Bending Lake is the next logical development, and should proceed without delay. It has the additional advantage of reduced costs because of the availability of services and facilities at Atikokan. It can give continuity to the communities of the area, and finally it can allow for experimentation and development of the slurry pipeline technology.

In the longer range, development of Lake St. Joseph deposits would be a final step in assuring Ontario's iron ore needs through to the end of this century. The deposits total at least 550 million tons of ore and possibly more.

It is an open question in our minds whether this development will or ought to include the building of an entirely new town site. It is worth considering the use of commuting facilities, such as high speed rail from existing communities.

Regardless of how the matter of community facilities is answered, the initial plans for the development of these deposits include the concept of slurrying the concentrate several hundred miles south to the shore of Lake Superior. This possibility reinforces in our minds the desirability of going ahead with Bending Lake as soon as possible. Such technology, certainly in northern climates, has not been tried before. For all these reasons, there ought to be a long-term comprehensive plan for iron ore development.

The above suggestions in our view are a sensible, practical approach to a strategy for iron ore development in the province. Government has a responsibility to act in these matters. It cannot be left to the sole prerogative and priorities of private corporate boardrooms to make these decisions.

As we have said, the present mines need not have been closed and the people thrown out of work. It is not a case that the steel companies cannot continue to develop Ontario iron ore deposits. It is simply a case that, at present, they are refusing to do it. The government should compel the Ontario steel companies to recommence drawing their iron ore and pellets from Ontario mines as well as to get on with the projects at Bending Lake.

The steel companies should in no way be crying poor. Their after-tax profits increased by 162 per cent between the first quarter of 1978 and the first quarter of 1980. They are hardly short of money. If continuing Caland, et cetera, might mean a slightly lower marginal profit than at Tilden or Hibbing, then that is a small price to pay for doing business in Ontario and enjoying the level of public support they have received. By closing the mines, they are simply refusing to absorb their fair share of the costs and are thereby transferring the costs on to the individual workers, their families, their communities, and, ultimately, on to the people of Ontario.

5:10 p.m.

Finally, let us say that the government is far from lacking in bargaining power with the steel companies. In no small measure, the prosperity and modernization of the Canadian steel producers, as compared to the lot of their corporate cousins to the south, has been brought about by a public largesse via the taxation system.

The steel companies have received the benefits extended to all Canadian industries by way of accelerated depreciation allowances, et cetera. However, in addition, the steel companies have enjoyed the special benefit of "hot metals" profits, i.e. they are able to write off their equipment up to and including the blast furnace in a steel mill as if it were a mine. This is accomplished by pig iron being defined for tax purposes as a primary metal. In our view, if the taxpayers of Ontario and of Canada are giving this special gift to the steel producers, then those companies should be obliged to utilize Ontario and Canadian iron ore as a part of their special responsibility. No sensible official or government could intend that such hot metal profits should be used for the purpose of shutting down Ontario mines and developing Minnesota or Michigan. It is time for the government to assure that the steel companies live up to their end of the bargain.

Finally, it is also time for the Ontario government to conduct and compile its own inventory of iron ore reserves and other mineral deposits in the province. None of us really knows exactly how much ore is still in the ground at Caland, Moose Mountain, let alone future deposits. This creates the intolerable situation where our members and the public are subject to the game of corporate hide-and-seek over the definition of "proven reserves" for ore, just as we are over oil and gas reserves. This sort of corporate blackmail must end and the first step is to have a public inventory.

In conclusion, Mr. Chairman, we have tried to present an

overview of the iron ore situation that gives a context for examining the shutdowns and layoffs in the mines. We have also tried to identify the failures in public policy on resource development, as we see it. Further, we have indicated the direction iron ore developments could take if we had a more forward-looking and aggressive policy. If such a policy was pursued, then such shutdowns and dislocations would not take place. With a three per cent annual growth rate expected in the steel industry, we can get our miners back to work if we muster the political will to do it.

I would also just say that some of the economic disturbance that takes place in some communities is lessened in Atikokan by reason of the fact that this union was able to negotiate a severance pay for our miners and, of course, that means that the community does not meet immediately the kind of horrendous economic cutback that comes in places where that kind of a benefit is not in existence. That benefit we were able to negotiate because we could see what was happening in those mines at a time when we still had some bargaining power.

I am going to suggest that we now ask Mr. Gareau and Mr. Sheppard to address you about the particular miners and their dislocation in Atikokan.

Mr. Gareau: I am Henry Gareau, staff rep. My background in Atikokan goes back a few years. I lived in Atikokan for 13 years and I raised my family with these few who are being affected now. I think the basic brief you have heard outlines the economics of the uprooting of our people on the job. But let me tell you some of the background of what has transpired in the Atikokan area and has created a problem over the years, and at the present time, has created a situation which, in my estimation, should not be allowed in a free country.

I will go back to 1966, at which time an announcement was made by Steep Rock Iron Mines that they were signing an agreement with Detroit Steel and this new pact would guarantee the continuation of Steep Rock for at least 22 years; that would be the minimum. If you add 22 years to 1966, that gives you 1988, if I am not mistaken. If what had been told to the people, at that time, had been followed through, these mines would still be in full operation, these people could still be in their homes and they would not have to be strewn all over the country not knowing exactly where to turn.

This has been a continuous state of events in that area. When the Bending Lake situation came into the picture, when St. Joseph's came into the picture, in more ways than one we were led to believe that these properties would be coming on par, that the people had nothing to worry about, and that they would be the people considered for the jobs.

I will refer specifically to the Bending Lake project. We met on various occasions to deal with the Bending Lake area as to what we could expect, how many people would be involved and, in fact, we even had a list compiled as to the number of tradesmen that would be required for that operation. There was no indication

whatsoever that these projects would not go ahead. There was no doubt in the people's minds that their future was not secure.

If you look at the census report that was put out just recently by the town of Atikokan, the population of Atikokan is down to 4,703, and it is interesting to note the age structure. We have 210 men in the 21- to 25-year bracket; 131 men in the 41- to 45-year bracket--I am only referring to the male population. We have 135 in the 46- to 50-year bracket and 108 in the 56- to 59-year bracket. May I suggest to you that most of these people have bought their homes, they have established themselves in this community, and they just cannot afford to go elsewhere.

I think you have heard Mr. Ross state that there are over 50-odd empty homes in Atikokan. I have never counted them, but I know on the street on which I used to live, about two weeks ago when I was in Atikokan there were over 10 empty homes. The point that I wish to make also--it was suggested that a lot of our people in Atikokan have upgraded themselves into other homes. That is very easy to do in Atikokan because the few who were leaving, who had to leave, could not sell their homes so anyone could pick them up for a song and a dance. So I think this additional concern that was heaped upon our people certainly was not called for.

The fact remains that there is sufficient ore in the Steep Rock range to justify a full-fledged mine. In talking about the ore which is available, I also want to state that had Steep Rock Mines proper not allowed, or at least had made some kind of restriction upon Caland when they extended their lease, Steep Rock Mines would still be in operation today, but because they allowed Caland Ore to continue operation for an additional two years or so, it meant that the ore at Steep Rock proper ran out and therefore they had to discontinue operation.

Steep Rock Mines went as far as building a road from their property to the Caland property at the back and they also went through the process of running some ore samples through their plant. If my memory serves me right, I think they came out at 60 per cent plus grade from the ore they had taken from the Caland property.

Caland is quite safe, at the present time, in not finding out how much ore is left, because most of the ore that would not have been accessible three or four months back is not covered with water. So they are pretty well covered. There are many cases of it can be brought up.

5:20 p.m.

I have a report here about the problem that exists in the town itself. It is a confidential report. I want to refer to some of the remarks in this report. "The side effects of the unemployment are becoming more prevalent as well as more serious." "There are those who are doing well, some very well, and there are those who are doing very poorly; there is no in between."

The report goes on to say, "There are many people who are in dire straits, they are in dire need." The Manpower people are

doing their utmost to assist them, but then they are controlled by laws.

I think, if we wanted to take the time here, gentlemen, we could refer to specific case after specific case of people who have gone through hell because of a closure. I am not talking about what I have been through, I am talking about what I have observed myself of people I have known personally.

Now I wish to stress, and stress very strongly, to this committee that no company which comes into a natural resource situation should be allowed to turn one shovelful of earth without having made some kind of provision to compensate for the eventuality that it will close down. The money should be there for those people. The pensions that we were successful in negotiating for our people are not worth the powder to blow them to hell.

We did our best in negotiations. We impressed upon the company the need that our older people would have. The pension that they have to rely on certainly does not compare to the pension I will get when I retire, nor to the pension that you people will get. There is no comparison whatsoever. They have spent a whole lifetime in mining and in a mining town and they have done their utmost for the corporation, and certainly, there is not much left to show for what they have invested in that mine.

I wish to recommend very strongly that in your report a strong recommendation should be made that companies involved in natural resources should definitely be called upon to set aside the moneys or whatever is necessary to ensure that when closure comes about the people who are left will be taken care of. This kind of tragedy we have in Atikokan with these people should not be allowed in a free country. It is just not called for.

Mr. Chairman: Mr. Gareau, thank you very much. Mr. Renwick has some questions.

Mr. Renwick: I have really two questions. One is specific and the other one is a broader one and perhaps Mr. Cooke may want to respond as well.

The first one is, can you let us have the actual number of dollars that the individual people walked away with from Steep Rock by way of pension and/or severance? I am not talking about the names. I am not worried about identifying individuals as I am in getting the raw, basic information about what has happened--the mine has been closed, the men have been laid off and they have left the employment and they got severance pay and they got their pensions. In a scheduled way, would it be possible for us to get that information?

Mr. Gareau: In the amount? I will not be able to give you the amount, but I can certainly give you the form. It is one week's pay per year of service.

Mr. Renwick: Yes. I wanted to get some idea of the breakdown of people. One way, for example, would be to do it by individuals. Another way would be to group it in some way, that

is, the number of people who were one to five years, five to 10 years, 10 to 20. I would like to get a handle about what the financial situation is of a person who has had to leave, in actual number of dollars, (a) by way of pension, and (b) by way of severance.

Mr. S. Cooke: We would have to do some calculating.

Mr. Renwick: Yes.

Mr. S. Cooke: We could not give you the actual totals you are talking about, but I think Mr. Sheppard might give you a personal case.

Mr. Sheppard: If I could, I could address it by referring to my own case. I had roughly eight years during which I worked with Caland. In 2002, if I should live so long, I would get \$78 in pension and at the point of termination I received \$2,600. That is fairly representative of what was happening to the majority of employees.

Mr. O'Neil: You were saying \$2,600 for how many years service?

Mr. Sheppard: For eight years. The formula was one week's pay for each year of service based on the preceding year's total salary.

Mr. Renwick: And severance?

Mr. Sheppard: That was severance.

Mr. Renwick: That was severance.

Mr. Sheppard: Yes.

Mr. Renwick: That was the severance. So far as the pension was concerned, you just got your contributions returned to you.

Mr. Sheppard: No, it is a vested plan. I could review for you very quickly the case of a 55-year-old that I am familiar with. He had 20.76 years of service with Caland. The man has also spent probably 50 per cent of the last five years off work due to a compensable injury. He exercised the early retirement options of the plant at the age of 55.

In addition to that, he exercised what we call the "spouse's option." In other words, if something happens to him prior to his sixty-fifth birthday, she would get the residue of the pension. He is now receiving \$60.11. Had he continued through 65, in 1990 he would have received \$207.60. Should he die, his wife would receive something like \$16 per month.

Mr. O'Neil: Sixteen?

Mr. Sheppard: Sixteen dollars per month.

Mr. Martel: I would take some of that \$56 million out of the bank.

Mr. Sheppard: I am talking about a man with 20.76 years of service. You have to remember there is taken from those years of service compensation payments in excess of 18 months, sickness in excess of a year, strikes, any holidays other than the legitimate two weeks or whatever happened to apply at that time.

Mr. Renwick: Did you have a severance negotiated in the previous contract? I understood there was a three-year contract that expired and then a two-year contract. Did you have severance in the previous contract?

Mr. S. Cooke: Second to the last one.

Mr. Renwick: Second--was that the first time?

Mr. S. Cooke: You could not possibly negotiate one in the last one. We did not have very much power then, but we were able to get severance pay in the second to the last one.

Mr. Renwick: Second to the last one, and then that was, according to Mr. Lamb's testimony, that was improved in the last negotiations. Was that the way it worked?

Mr. S. Cooke: There was some adjustment.

Mr. Gareau: Small adjustments were made, but not massive improvement.

Mr. Renwick: We may, if it is possible, ask our staff to get in touch with you about the basic sort of raw material that we need about what people walked away with. I do not care how it is presented, as long as we can get that kind of information.

The damned problem we are running up against is that by the time any legislation comes out of the work of this committee and the government, it is going to be a long time down the road. If there are shutdowns any time after the turn of the year--the people who have been out already are not going to be protected by anything this committee does; it always happens that way. If we do not get some interim legislation in about severance and some interim legislation in about pensions, at least the way the pensions bill has been introduced on it, then we are not going to be able to protect anybody, say, after the first of the year, who is faced with one of these shutdowns.

The criticism we are getting is that we are not listening to all of the--basically, we are not listening to the chamber of commerce. That is basically what the criticism is. Whereas what we want is the kind of raw material which will tell us that in Ontario today, it is wrong for people to have worked so long in certain industries, have them shut down and walk away with the kind of pittance which the evidence before us indicates is the case, both with respect to severance and with respect to pensions.

Mr. Gareau: May I suggest we ask Mr. Hamrak and Mr.

Wilson what their severance pay was?

Mr. O'Neil: I wonder if I could ask (inaudible)--

Mr. Renwick: Could you come up to the table so that the mikes will pick you up?

Mr. Chairman: There are microphones there, gentlemen.

Mr. O'Neil: Along with what Mr. Renwick is asking for, I think that as a member of this committee, I would like to see some of those examples put in our preliminary report on the pension section of it, maybe an example that is given here, or the example that you gave in that other case. I would like to see them in the preliminary report as examples.

Mr. Chairman: Mr. Wilson and Mr. Hamrak, if you could--

Mr. Hamrak: My name is John Hamrak. I worked for Caland Ore in Atikokan for 16 years and at the time of layoff five weeks ago, I received \$6,400 in severance pay, and by the time I retire at the age of 65 I will receive \$152 pension. I am, right now, 44 years old.

5:30 p.m.

Mr. O'Neil: You are how old now, 44?

Mr. Hamrak: I am 44, right.

Mr. O'Neil: And you will not get this pension until you are 65?

Mr. Hamrak: Right. If I do decide to take an early retirement at 55, which would be the earliest, then it would be considerably cut down. If I let some of the money go to my wife, I would lose some more yet. If I should take an early retirement I would probably wind up with \$80-odd a month.

Mr. O'Neil: If Mr. Renwick will permit this question, I wonder, looking at examples like this, why the union has not placed more emphasis, as you have done with the severance, on pushing for better pensions for these people. Is it just that there is no way you could get anywhere with the company? Why is it that it always seems to be the last thing?

Mr. S. Cooke: It is not the last thing. Believe me, we have been at work at it for some time. Pensions have been resisted by corporations; you would not believe how much.

Mr. O'Neil: Is it resisted by employees too?

Mr. S. Cooke: Not if you can look after the needs of the employees in between. One of the big problems about pensions is that they are not a damned bit of good to you if you don't have enough sustenance to get you to pension retirement age. That we have to look after, too, as we go along, if you don't have competition between those two things. These corporations are all

wealthy enough that they could look after both.

We have had strikes up there, innumerable strikes, to try to improve the benefit. The workers have worked hard, the union has worked hard, but you run into terrible reticence in our society and you can only do so much at any one time. It is not fair to leave to collective bargaining the kind of minimums that need to be put in place. Hell's bells, you are asking workers then to take on an awful burden.

Mr. O'Neil: Has the emphasis then not been on pensions?

Mr. S. Cooke: The emphasis has been on pensions in several sets of bargaining.

Mr. Renwick: I wondered if any other members wanted to ask on that particular topic because I wanted to turn to the other damned problem, and probably this is more properly addressed to Mr. Cooke.

Mr. Martel: Could I just ask one question, Jim? Mr. Wilson, I believe, is going to indicate to us how much he received. We wanted to hear from both of them really.

Mr. Wilson: I received \$5,600 in severance allowance. I was a little over 14 years with the company at the time of layoff. At the age of 55 my pension would have been at a reduced rate of \$46 a month. If I live until I am 65 years of age, I will receive \$140 a month. That is with no spouse allowance at all. That is the bare figure I would receive, taking the pension on my own.

Mr. O'Neil: How old are you now?

Mr. Wilson: I am 54. I will be 55 this month.

Mr. Martel: If you took it at a reduced rate, how much did you say?

Mr. Wilson: It would be \$46 a month.

Mr. Renwick: Listening to the company and listening to your presentation today, it is quite obvious to me that sometime, 1985, 1986, 1987, 1990, that Bending Lake will be back into what they call economic, whatever that means. Some time around the turn of the century the Lake St. Joseph one may well be what they call economic.

You mentioned, and this is what basically put it together in my mind, this two-year extension of the Caland one, which meant that for practical purposes the decision was made that for this period of years they are not going to mine these reserves. They are going to go elsewhere for them.

Who makes those decisions in the case of Steep Rock? Is that made by the Steep Rock executive or board of directors, or is it now made by Canadian Pacific Investments? If we wanted to find out what the decisions were, should we go to Canadian Pacific

Investments and get someone who can tell us what those decisions were? That is my first question.

My second question is, what is your view--and I am only asking for your personal view on the matter--of whether or not any part of this \$54 million should be made available to that community for this interregnum period of time until they are back into the production again and the profit making?

Mr. S. Cooke: In the first case, it is my experience that the corporate boardroom, which has the ability to move the capital and the technology of all of its parts, is the place that makes the decision where to maximize profit, where to go and where not to go. I think that is true with all the corporations.

You talk about Steep Rock as compared to CPI. They try to leave them enough autonomy to specialize in their own end of things, but in terms of whether or not they would invest more money for a particular project or use it somewhere else, then that comes back into the whole chain of what is the best place to use our money and our technology.

If they have a customer like Algoma Steel, which is now owned by CPI, as well as Steep Rock being picked up, you are now dealing with a situation of how is the best way for the total enterprise to supply the contracts that Steep Rock had with Algoma Steel, for example. I say that because in 1966, Pop Fotheringham, who was then the president of Steep Rock Iron Mines, announced that they had 1.1 million tons of iron ore pellets annually for 22 years with Algoma Steel. That contract still exists. In other words, the supply is coming from some place else.

That is a decision that would be made by the total picture now. The need is still there; it is still being used. That would be made, I would think, by CPI at this stage of the game. I know that is the kind of thing that is done by other corporate heads when you have that pyramid structure.

In the case of the second question, it has always been my view that any corporation that goes into a mining community should be making provision, all the way along through the peaks for mines, to look after the needs of the community, the people, when the mine closes. Because mining is a finite operation. You know it is going to come to an end the minute you start, and the faster you go, the sooner it is going to end. We all know that. It is quite possible to plan all that ahead, and it has always been my view that that should happen.

I have always felt that the community undertakes to provide schools, roads, sewers and so on. They can't always plan to have that all paid for the day that the mine disappears or something. So there ought to be provision that those things are looked after, not just left as a burden on the remainder.

The same thing is true about housing for miners. I don't see any reason why a miner should be faced with paying, as you do somewhere else, so much a month for his home all the way through his life, and then find out it is worth half of what it would be

if that same thing happened anywhere else, just because all those houses come on the market at the same time.

Yes, I have always felt that there should be a chunk of the surplus that is made by corporations made available to handle it. In cases where you are shutting down for short periods, as at Elliot Lake, or here, where it seems there will be another period of time where you can use these community services again, then of course that ought to be available.

5:40 p.m.

Mr. Renwick: The reason I asked the question was not so much in the case of final closure of an exhausted ore body where it is all over. I share those views, but this seemed to be such an appropriate case. We can call it short time because within this decade they are going to be back at it again in there. It seems to me that they have an obligation to make some moneys available to that community because that is all their doing. It is as if they went south for five or six years to have a holiday and will be coming back again. They are investing their money, clipping their coupons, and they are going to come back up north again.

I guess I am only venting my own concern about that, but the thought that \$54 million is going to be invested and nobody in the community is going to get any use of it. Then in 1985, 1986 or 1987, we are all supposed to be happy because they are reopening their operation up there. It seems to me to be a weird result.

Mr. Martel: I want to pursue that because it might be even earlier than that. The fear I have about the whole iron ore industry is that after four or five mines have closed down in the last two years, if there is an upswing in the market out there, whatever the hell that means, and it takes three years--I questioned the representatives from Steep Rock--to bring a mine on stream, we are not even going to be in the ball game. As someone said they other day, they have taken their ball and bat and gone home, and when it comes time to play the game--if that is 1982, and it was indicated it could be 1982--we are not even going to be in the ball park. In the interim, in the cases you indicate, the individual people just get kicked the hell out of them in the process.

Mr. S. Cooke: The other thing that happens is that there is a deterioration of the operation there. The ore doesn't disappear, but the mills will disappear; they don't sit static in mothballs and stay in great shape. The process of opening up will be more expensive than sustaining the mine. This is one of the great tragedies about not handling natural resources properly. The cost of going back in, the cost of developing a new mine, and the cost of staying in are different,

I hope everything stays in such shape that, as suggested by your question, we will be in a position to see an expansion in the use of steel and therefore a recovery in these places. The trouble is that the people who have stayed in business at our expense, like the Michigan and Minnesota areas, are going to be in a better position to expand. It will be a lot cheaper to extend and expand

those operations, because they are there and going, than it will be to re-enter our own. So we are at a disadvantage at both ends.

Mr. Martel: How do we even get in the ball game? If the upturn starts, say, in 1982 and it takes three years to bring Bending Lake--if it were Bending Lake--

Mr. S. Cooke: I don't think, Mr. Martel, that we are going to be in that ball game as easily as that. I see that all ending up being supplied by Michigan, Minnesota or the north shore. I don't see Ontario iron mines, with the kinds of attitudes there have been in the last 20 years, being in the ball game to have economic ore unless we get into it now.

The difficulty is that the cost of mining escalates, just like the cost of construction, when you talk about going into it to develop it. If you haven't got that done and won't do it now, you can get into a position where it is cheaper to do it somewhere else. We could be setting the whole future of Ontario's iron mining industry now.

This is why we bothered to put forward the submission we did today. It is absolutely vital to this province. It is not some humorous little joke that Stew Cooke decided to make some hen scratches about. This is very serious; it is about our whole future.

We have vast iron ore supplies available to us from different sources. If it is just cheaper because we have not done our economics right or priced ourselves out of the market because of letting people fool around with it, then we have wasted our resource. And this exactly where we are.

Mr. Sheppard: If I may, Mr. Chairman, as Mr. Cooke suggests, the failure to do certainly ultimately will result in some national concerns.

I know a 56-year-old who just left Atikokan and left a house, who has gone into the lower British Columbia mainland and entered into a \$32,000 mortgage for living accommodations; and he has gone into another mining job. He has gone back into another mining town. So in eight or 10 or 12 years, he is going to be back in Atikokan.

Mr. Martel: It is interesting to note what Inco did last week in Guatemala. They did not lay off any of their work force, despite the fact the mine shutdown. They will pay the wages to the workers because they cannot afford to lose those highly skilled workers. And yet, when you look in the Ontario Miner, the industry is continually decrying the loss of skilled workers to go into mining; yet in Guatemala, we see a new trend down there, which is supposed to be a banana republic compared to us. I am not sure who the banana republic is.

Mr. S. Cooke: It's warmer than here.

Mr. Martel: Is that it? That is the only difference, because, in fact--

Mr. Renwick: To grow bananas.

Mr. Martel: --the industry there, because it cannot afford to lose workers; and yet here, they are decrying the fact that miners will not locate in those mining communities.

It seems to me that there is something wrong in a society that would allow it to happen here; and yet the same corporation which laid off 2,400 in Sudbury will not lay any off in Guatemala for a full year.

So these corporations are prepared to make those adjustments where is government involvement; and stay in business.

Mr. S. Cooke: If they are required to do so.

Mr. Chairman: Messrs. Martel and Renwick, I believe you have completed your questioning.

Mr. Renwick: No, I think the decision has been made. I think the board of directors or the executive leadership of Canadian Pacific Enterprises has already made their decision with respect to ensuring the necessary ore for Algoma. And they have made it at the expense of the northwestern Ontario operation at the present time. They will be back into the ball game and I suppose politicians sitting around then will all be happy; and the then Minister of Natural Resources will tell us about all the new jobs being created.

That is not a question, Mr. Chairman. That was a--

Mr. Martel: Profound statement.

Mr. Chairman: I understood it for what it was and enjoyed it all the more because of that.

Gentlemen, we have about 12 minutes remaining.

Mr. O'Neil: Just a couple of questions: I wanted to ask either Mr. Cooke or some of the members who are here today: If that mine reopens, say, in another two or three years' time, can these members, if they are still available in the area or any place, reapply and hold their seniority and continue to accumulate time for their pension?

Mr. S. Cooke: That would vary in terms of how the mines were operated. But once you take a severance pay, you sever your employment. They do not have a right to go back and reaccumulate anything at that point. Severance is severance.

If they were handy and on the spot--if that all happened, for instance, tomorrow and there were a number of these people around--they may well make application there to go back to work as new employees. But they have no right.

Mr. O'Neil: I wonder how you back up this statement: You said it would be cheaper for the company to have kept the mine going, rather than to let it lie idle for so many years. What do

you base that on? And did you make this argument to the company?

Mr. S. Cooke: Did I make it? They make it to you. There is no problem about it; it is an economic fact.

To start with, equipment deteriorates and the escalation that goes on in the cost of that equipment as opposed to keeping it going and maintaining it and it being productive is fantastic.

The mine itself fills full of water. I don't know whether you know this. So that all has to be redone.

5:50 p.m.

The mill will deteriorate if it is not being used and maintained; and that all has to be rebuilt.

It depends on the period of time as to how much of this--

Mr. O'Neil: Why would the company make the decision to close if what you are saying is right?

Mr. S. Cooke: They are a part, of course, of a much bigger operation. It may be cheaper in the short run and in the long run for the company to take the money that would be needed to take the overburden off or something like that, and put it somewhere else.

They may have developed a capacity in some other source to produce ore beyond what they need. Maybe their six or eight per cent of one of these other mines will now produce what they needed from Atikokan. They could handle that cheaper, just by the extension of the mine. You get into a situation where your agreed-to share becomes larger than you were using before. And it might be cheaper that way.

The transfer of ores from places like the north shore, where there is a surplus of ores around, may also be cheaper than the extension of any operation at Atikokan.

But that does not mean it is not a profitable operation at Atikokan. When you are talking about profitable and more profitable, it gets very difficult; and the problem that these places get varieties of subsidies which change that.

Mr. O'Neil: On page three of your brief: "We do not have the exact figures on US deliveries to the Ontario steel mills, because the companies do not make them public and the government does not require them to do so."

Mr. S. Cooke: That's right.

Mr. O'Neil: Do you believe those figures should be asked for by this committee?

Mr. S. Cooke: Of course, they should be. Well, I don't know about this committee or what you want to know, but I certainly believe that any information of the kind that has such

an effect on the economic development of a country like Canada and its economic operation, that information ought to be public.

Mr. O'Neil: I am surprised that those figures would be available and I wondered if they are, that you have not been able to get them, but they are available.

Mr. S. Cooke: No, they are not. I must say that I have enough faith in our research people to know that if they were available, they would be here.

Mr. O'Neil: I would like to ask our research people of the committee to see if those figures could not be available and if there is some way we could possibly get them.

At the bottom of page three, you stated, "Several years ago the steel companies made a conscious decision not to develop iron ore deposits in Ontario and went instead to acquire assets such as..." and you go on. How do you know that?

Mr. S. Cooke: I have been involved in a number of discussions at the federal level and at other levels with varieties of government groups dealing with the problems about iron ore; and that information comes out very clearly.

Mr. O'Neil: What reasoning do they give you for having decided that?

Mr. S. Cooke: It is an advantage to them to do so. You see, when you develop an iron mine, if you can develop it with some of your friends in the steel industry who are competitors, you share the costs of the development of the mine. You take your share of the ore, they take their share of the ore--

Mr. O'Neil: That's the 20-year planning?

Mr. S. Cooke: --and you then have a nice little deal--nobody knows what the costs are; you can keep the costs under the cover; you are making the mine profitable on the years that it is useful to do that; you make the steel mills profitable on the years that it is useful to do that; and you diddly-daddle around like this until you have a very interesting operation at the public's expense. It goes on all the time.

Mr. Martel: I have only one area that concerns me. As I said to Mr. O'Neil, we appeared before the Ministry of Industry and Tourism and the Ministry of Labour over Atikokan and Caland with the United Steelworkers some time ago. Those particular things were discussed. The argument by the minister is recorded in the Ministry of Natural Resources' estimates last year, where he said it was cheaper to go and buy in the United States because you simply expand the operation, than it was in Canada where you opened up a new operation. You might not have recalled that, Mr. O'Neil, but it was there.

I was amazed that the company indicated to us when they were before us that all contracts between two Canadian firms, a Canadian mine and a Canadian steel industry, even if they were

both Canadian, that it was still traded in American dollars. Mr. Lamb indicated that during his testimony when he appeared before us. I thought, with the dollar being devalued so badly in Canada, there would be an advantage that would offset the declining dollar to produce ores in Canada from Canadian ore bodies, because you would buy them in Canadian dollars. But, obviously, the mining industry does not do that. It trades in American dollars, even between two Canadian firms. So the advantage I thought we might have was no longer there. Should that make a difference?

Mr. S. Cooke: Of course it makes a difference. But again, this is a matter that is bookkeeping business. They want to know what their costs are in a constant dollar and they make their entries that way. But their costs in developing and running an ore in Steep Rock, of course, was paid in Canadian dollars. They are receiving money in American dollars at the same level as they would in Canadian dollars, and it is a way of making it more profitable. These are the kinds of things that you can do.

Mr. Martel: They did not pay your membership, though, in American dollars.

Mr. S. Cooke: No, they didn't pay anything--they would like to have, I guess, on some years when they were in operation because the American dollars were lower than the Canadian dollars. But their costs are in Canadian dollars.

Mr. Mackenzie: There are two or three questions I have. Mr. Cooke, some of the employees were told in the 1960s that they could expect X number of years employment. I wonder if you have any of them here who had any specific--

Mr. S. Cooke: Yes, we have one of them here; a little earlier than the 1960s.

Mr. Hamrak: Yes. I worked for Steep Rock Iron Mine in 1956. I was told at the time I was hired I would have a job for the next 100 years. He said, "Even your kids will have a job here." That 100 years came pretty fast. I guess I worked too fast.

Mr. Mackenzie: Apart from that, I also know that a number of people were told in, I believe, 1966, if I remember correctly, that there was still a 22-year contract, a 22-year supply of ore there, which would lead them to believe, if my arithmetic is correct, that they were set till 1988.

Mr. S. Cooke: At least 1987. Whether it was 1988 or not-- Yes, that report came in the Atikokan Progress and Printing in November--

Mr. Mackenzie: In 1972 Caland indicated that in four years they would be ending their lease, or the lease was up. But that lease was extended. Was there any particular reason you know for Caland's lease being extended?

Mr. S. Cooke: I guess Inland Steel wanted the ore at that time and the Steep Rock people would have to have done some road work. They were the processor at making access to that ore,

but the Caland people, I guess, paid them enough royalties to stay there.

Mr. Mackenzie: What I am really getting at is the fact that we had an iron ore development there and if the Steep Rock people had picked up the property at the end of Caland's lease then we had a potentially viable operation, at least until 1987 or 1988.

Mr. S. Cooke: We believe that the Caland thing was viable when it was shut down. We have not seen any indication that it was not, and we certainly believe that Steep Rock could have operated it too.

Mr. Mackenzie: Is there a possibility that the sales contracts were just simply sold by the company to some of the American--

Mr. S. Cooke: When you are talking about selling a contract, I do not know. They were certainly supplying the ore, but whether they were supplying it from one of their American interests, as opposed to selling it to somebody else, I don't know.

6 p.m.

Mr. Mackenzie: The point is, there was a viable operation and contracts until at least till 1987 or 1988 in terms of Algoma, and that ore is now being supplied by the American mines.

Mr. Sheppard: Mr. Mackenzie, if I may, the February 1975 issue of the Steep Rock Iron Mines' Features, which was an employees' publication, announced Steep Rock Iron Mines would extend its operations to 1983 by deepening the Hogarth pit, which was a Steep Rock operation at that point. They also stated that if Caland stuck with its 1981 closure, then Steep Rock Iron Mines would likely move into the Caland C ore body and the operation would continue to 1990 or beyond.

Mr. Mackenzie: The Steep Rock operation--was that a viable suggestion then, or was the fact that it was an unsafe operation now that had been high-graded, a suggestion the company made, legitimate in terms of the Steep Rock property, or do you think it could have gone on until 1983? The company has said that mistakes were made in design management and the width at which they cut, and therefore they could not continue operating at Steep Rock.

Mr. Sheppard: I cannot answer your question. All I can tell you is that I know that the Steep Rock engineers engineered a section of the C ore zone body. There were certainly indications in the 1976-77 period that there was every intention that Steep Rock would move into that ore body.

Mr. Mackenzie: I have one further question. I asked this of Mr. Lamb the other day, and I have a letter which deals with the viability just a very few short years ago of the Caland property, at least until 1988 or 1990, as you suggest. But it is

letter that my colleague, Jim Foulds, had sent to James Auld in which he says:

"Dear Mr. Minister:

I was delighted to learn of the preliminary investigation by your ministry referring to the natural resources. The following facts emerge: (1) On the 25 feet from the surface at Caland C pit there are 4.9 million tons of proven ore reserves."--they give the stripping ratio. "In the 25 to 75 foot level, there is a probable 10.2 million tons of iron ore in the stripping ratio of two to one, and below the 75 foot level there is a possible 11.2 million tons of iron ore, or mineralized ore deposits, stripping ratio of three to one."

The company said that this information was not true, that there were not these reserves there when we asked Mr. Lamb before the committee. Do you have any knowledge at all of those figures, which did come from Natural Resources in response to my colleague, Mr. Foulds?

Mr. Sheppard: Mr. Rachamalla and Dr. Meyn of Natural Resources met with me at Atikokan the night they completed their survey of the C zone ore body, and those were the figures that they gave to me and they were confirmed, subsequent to that, three days later here in the city. Mr. Gareau attended a meeting with Mr. George Jewett of the MNR and Peter Warren of the search staff.

Mr. Mackenzie: So it was company mining engineers or ministry mining people who took a look at the potential ore.

Mr. Sheppard: They reviewed the final pit design of the Caland pit. They used the all geological material that was available to them.

Mr. Mackenzie: Which tied in with the information given by the company itself years earlier that it was a viable operation, at least until that date, and at which point in time you would have had the lead time for Bending Lake.

Mr. Sheppard: Based on diamond drilling results done in the late 1960s, I believe.

Mr. Mackenzie: So we certainly have a viable operation, but we have just closed out and replaced with offshore ores.

Mr. Sheppard: I think that is a fair assumption.

Mr. Chairman: Thank you, Mr. Mackenzie. Mr. Cooke, Mr. Gareau, Mr. Sheppard, and gentlemen, thank you very much for your time before the committee.

Mr. Sheppard: Mr. Chairman, may I have just a couple of minutes of the committee's time?

Mr. Chairman: Yes.

Mr. Sheppard: I will be very brief. You have talked a

good deal about what happens subsequent to a termination. I would like to spend just a couple of minutes to tell you about some of the things that precede a shutdown.

In November of last year, a woman, who had worked for Caland for about eight years, in the bumping procedure got bumped into a higher paying job. The company, at that time, decided that she was not able to perform that job. They sent her to have a medical examination, despite the fact that she had one done not more than three months previously, and they included in that medical examination a Pap test. The doctor indicated that she was fit to return to work.

She was fired. It took us until February, and we appealed to the Minister of Labour. He gave us the services of a grievance settlement officer and we were able to get her returned to work, with a \$2,500 settlement; she had already lost \$7,700.

That is fairly representative of the kinds of things that happened in the year and a half preceding the termination. That is just one and I want you to be aware of that.

Mr. O'Neil: Are there others?

Mr. Sheppard: There are indeed others.

Mr. Van Horne: Mr. Chairman, would it be possible to ask that cases such as this be presented to the clerk of the committee for all of us to share?

Mr. O'Neil: In writing.

Mr. Van Horne: Yes. If you could do that it would assist all of us in understanding some of the problems.

Mr. Mackenzie: I want to just verify severance pay arrangements. I understand that in that second last contract, when you still had the leverage, again, you had the one week's pay for a year of service up to 10 years maximum. I gather that what you gained, according to Mr. Lamb, is an extra half week for the next five years, which meant there was a maximum of 12 1/2 weeks' severance pay, and that is what amounted to the \$5,000 to \$7,000 some of the more senior employees had got which has helped to ease the transition period over the last year.

Mr. Chairman: Thanks again. This meeting is adjourned until following routine proceedings tomorrow.

The committee adjourned at 6:06 p.m.

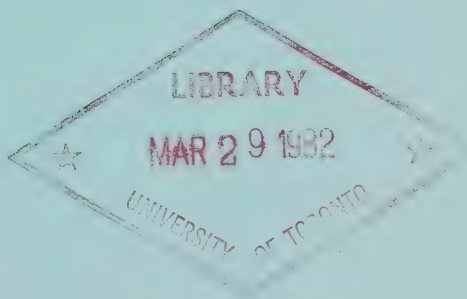
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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

GENERAL BUSINESS
ESSEX INTERNATIONAL OF CANADA CASE STUDY
INTERIM REPORT

TUESDAY, DECEMBER 9, 1980



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE
ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)
VICE-CHAIRMAN: O'Neil, H. (Quinte L)
Cooke, D. (Windsor-Riverside NDP)
Cureatz, S. (Durham East PC)
Mackenzie, R. (Hamilton East NDP)
Mancini, R. (Essex South L)
Ramsay, R.H. (Sault Ste. Marie PC)
Renwick, J.A. (Riverdale NDP)
Taylor, G. (Simcoe Centre PC)
Turner, J. (Peterborough PC)
Van Horne, R. (London North L)
Williams, J. (Orillia PC)

Substitution:

Miller, G.I. (Haldimand-Norfolk L) for Mr. Van Horne

Also taking part:

Cassidy, M. (Ottawa Centre NDP)
Kerrio, V. (Niagara Falls L)
Laughren, F. (Nickel Belt NDP)
Martel, E.W. (Sudbury East NDP)

Clerk: White, G.

Researchers:

Eichmanis, J.
Fletcher, M.
Jennings, R.F.

Witnesses:

Gill, J., Director, Citizenship and Legislative
Department for Canada, United Auto Workers

From United Technologies:

Dempsey, J., Director of Personnel, Essex International
Hamilton, D.P., Division Controller, Automotive Products
Division, Automotive Group
Rowe, J., Manager, Wire Assembly Manufacturing, Essex
International
Trachsel, W.H., Vice President-Counsel, Automotive Group

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

TUESDAY, DECEMBER 9, 1980

The committee met at 3:47 p.m. in room 151.

GENERAL BUSINESS

Mr. Chairman: I will call the committee to order.

There are three fast items I would like to go over with members of the committee for clarification purposes. We had discussion yesterday, and agreement, that we would at 10 a.m. tomorrow hear from the union and the former employees of Arrowhead. I think most of the people here remember this discussion. Management people have contacted the clerk. They were not aware of this meeting and have requested the opportunity at least to be in attendance at the meeting.

My understanding about the discussion yesterday was that we would set aside one hour--this came via Pat Lawlor, as I think you remember--at the beginning of the meeting to hear from these gentlemen. If management is in attendance and if they wish to have an opportunity to speak, and it seems reasonable that that might come up, I do not want this to be a debate in the committee tomorrow at 11 o'clock.

Can we have some understanding now as to how we will apportion the time, or will we make more than one hour available?

Mr. Mackenzie: I was going to make a suggestion, but I wanted to check the representative of the United Automobile Workers first; however, it is my feeling that we have not had enough time for either the union, based on a group of employees just coming into Pat's office, or the company to address us. My inclination would be to try and reschedule it, otherwise we are going to have a totally distorted picture, and not necessarily official from either side.

Mr. Gill: As a union, we were only made aware last night that this group of people who are going to suffer job losses may wish to appear. It was quite proper and all that, but we were not aware that the company had not been asked to come. In some discussions we had this afternoon we thought, too, it was proper that the company be asked to come forward too, as has been the case in other situations.

As you aware, an hour does not leave much time for either side to present much of a case. I will be meeting with the union group, the local, later this afternoon and earlier this evening, and the proposition I have prepared to put to them, if it is agreeable here, is that maybe some time in January, when there can be at least a couple of hours set aside, we would be prepared to come back at that time if the company were also willing.

Mr. Chairman: In the light of this, Mr. Gill and Mr. Mackenzie, may I make this suggestion: we ask John to add Arrowhead, union and management, to our list of witnesses for January. I take it this would be the most effective way to pursue this point.

3:50 p.m.

Mr. Gill: Is there any possibility of indicating the approximate date this might be? I will be speaking to these people tonight and I think they would like to have some idea.

Mr. Chairman: Jim, what we are going to be doing all day tomorrow, from 10 o'clock, taking as much time as is required, each of the members of the committee will have this list--it's a fairly lengthy list--and we will do our best to finalize it and to attach dates for the information of those individuals and groups we will be hearing from. So, at the best, it will be tomorrow afternoon that we will be able to give that to you.

Mr. Gill: One of the times we were here we requested, as a union, time to make a formal presentation. Do you require that in writing?

Mr. Chairman: I think you are on the list too; I think it has been done.

Mr. Gill: We would have some idea tomorrow?

Mr. Chairman: Absolutely.

Mr. Gill: Thank you very much.

Mr. Chairman: I take it there is concurrence among the members that we do that. As per our original agenda, tomorrow we will discuss the scheduling of witnesses for the winter part of the hearings.

Mr. O'Neil: Scheduled only to meet in the morning; hopefully we can get through it?

Mr. Chairman: Hopefully we will be able to do it between 10 and 12:30.

Mr. Mancini: We are not meeting tomorrow?

Mr. Chairman: On Wednesdays we have been meeting in the morning and in the afternoon. There is no reason why tomorrow should be any different. It is possible, however, that we may be able to accomplish the finalization of the winter schedule before 12:30.

Mr. Martel: We do not know how long it will take to draft an interim report. It could well go beyond two and a half hours. My experience tells me that is relatively short.

Mr. Turner: The work tends to fill the time available.

Mr. Martel: It will improve the content.

Mr. Chairman: I think it would be prudent for everybody to keep all of tomorrow available for this plant shutdown committee.

The last point I wanted to touch on is the matter on the agenda for tonight, which is the consideration of our report. Last week we saw the initial summary or the initial tentative report. It has been added to, to some extent. Rick Jennings should actually speak to this, but we have material here now. I think it would be wise if we distributed it now, so that between now and eight o'clock, we could look it over. I am in the hands of the committee on that.

Rick, do you want to elaborate on that?

My God, you are a professional paranoid, Elie. You always see something sinister.

Mr. Martel: We should have a House leaders' meeting to make a deal, as John Turner would say.

Mr. Chairman: La Scala; they'll keep the meal warm until you guys get there.

Mr. Turner: As I suggested, not as I would say.

Mr. Martel: You said a deal.

Mr. Turner: As I suggested.

Mr. Laughren: Even paranoids have enemies, you know.

Mr. Chairman: Rick, do you want to elaborate?

Mr. Jennings: Basically, it is not in totally completed form, but it will be essentially what we can give you tonight. So it is just really a matter of whether you want to have it now and look over it now, or wait until tonight; or we could wait and give it out at six.

Mr. Chairman: This is a heavy one, chaps. Would you rather have the material now or at six or at eight?

Mr. Mancini: Give it to us now, Mr. Chairman. How many times do we have to--

Mr. Chairman: Now? Agreed. It will be distributed now. Just do not leave it on some table over at La Scala. Bring it back.

Mr. Martel: No, we were meeting in the back corner of the library.

Mr. Chairman: Oh, super. That warms my democratic heart.

Mr. Martel: The only people who make deals are you and Patrick, according to John Turner.

Mr. Chairman: Great. I noticed that too.

Mr. Turner: That's the way it was. We have had evidence of that this afternoon.

Mr. Chairman: There is no other committee business to be addressed at this stage of the game.

ESSEX INTERNATIONAL OF CANADA CASE STUDY
(continued)

Mr. Martel: Just one question, the question of Price Waterhouse: did you get in touch with them with respect to Essex and the last two years of the chartered accountant's figures?

Mr. Chairman: Elie, if we can proceed, that is a key question. The gentleman representing United Technologies, the parent firm of Essex International, are here today and are going to speak to that matter. In fact, they have the 1979 numbers with them. They intend to speak to that at the outset.

I will invite the gentlemen forward. Please take a seat at the end of the table. As I mentioned before I called the meeting to order, we are in your hands to the extent that I understand you have an opening statement, or maybe each of you has an opening comment. Please proceed at your leisure. As you know, there will be questions from members of the committee.

I might ask if you would be kind enough, either now or when you do begin your opening comments, to introduce yourselves into the microphone for the record.

Mr. Dempsey: Jim Dempsey, director of personnel, industrial relations.

Mr. Hamilton: My name is Doug Hamilton. I am the controller of the automotive products division of Essex International.

Mr. J. Rowe: My name is Jim Rowe. I am the manufacturing manager.

Mr. Trachsel: I am Bill Trachsel. I am counsel for the automotive group.

Mr. Chairman: Gentlemen, thank you for coming. Proceed with your opening statements, please.

Mr. Hamilton: I would like to start the conversation off by first apologizing to you, Mr. Chairman, and to the committee for two things: first, for our apparent delay in arranging our schedules to get together with you; and, second, for the confusion surrounding the release of our financial statements. We had no intention of withholding any of that information from you.

I understand that Messrs. Meanwell and Goodwin provided you with data from the 1975 through 1978 period. They were no longer our public accountants, starting in 1979.

I have brought and I have given to Mr. White a copy of the Price Waterhouse 1979 audited report. The 1980 year is not yet completed, so the statements are not yet available.

Teeing off from those accounting records, I wanted to talk a little bit about Essex's history in Canada. We have been operating in Canada very successfully for 48 years in several communities. During that time we prospered, and we provided a substantial amount of employment, paid taxes, et cetera.

Since 1974, Essex has been a part of United Technologies Corporation. Just to give you a little bit of background--some of you might know something about the company, if you do not I will briefly outline United Technologies for you.

It is comprised of Pratt and Whitney Aircraft, which also has a major facility in Canada, in Quebec, making jet aircraft engines; Sikorsky helicopters; Hamilton Standard and Norden make electronic aerospace controls, fuel injection systems, propellers; Essex International makes various wire products for automotive, communication and industrial applications; Otis Elevator is a familiar name throughout the world for all sorts of elevators and escalators; and our two most recent acquisitions are the Carrier Air Conditioning Corporation and Moztek, a manufacturer of integrated circuit chips. That is the framework in which we operate.

Getting specifically to the question you raised concerning the closing of our facility in Dunnville, Ontario: This is one of 22 plants that assembled automotive wire harnesses in the United States and Canada about a year and a half ago. I brought with me a graph, which I would like to pass out to all of you, which outlines a very significant reduction in our production requirements during the period through 1979 into the first three quarters of 1980. I am sure you are aware, this is solely due to the very significant reduction in automotive production throughout North America.

The curve that you see is labelled "standard hours," and that is a common unit of output at all our plants. The result of this curve has caused our company to reduce approximately 4,600 jobs in the United States and approximately 400 in Canada. There have been very significant reductions on both sides of the border. The reason, clearly, is that as a company we cannot afford to provide jobs for which there is no work.

The financial statements that you have, unfortunately, do not give you, or give us, a clear picture that has any relationship at all to the decision to close the Dunnville plant or any other plant.

4 p.m.

If you go back to the history a little bit, up through 1969 we operated a fully integrated company in Canada, providing wire harnesses throughout this whole period. In that year our two major customers, Ford Motor Company and the Chrysler Corporation, moved their Canadian engineering and purchasing functions to the United

States, to Detroit. At the same time, Essex moved its sales and engineering operations to the United States.

From 1969 through 1975, the financial statements of Essex International reflected the total operating costs of the plant, and compared with the price at which we sold the parts to the automotive companies, they showed a profit on that basis. Those statements did not reflect the total costs of those operations, because the sales and engineering expenses were not included in the statements. This, to the best of my knowledge, led to your Canadian Anti-Inflation Board questioning the level of profitability our company achieved in Canada during the 1975 time period.

Due to those inquiries and a lot of discussions, with which I am not familiar, but which occurred at that time, we changed our accounting method in Canada to report Canadian sales as a function of total costs. We would take our total costs of the plant, including all variances and extra expenses, and add a seven and a half per cent profit on top of those costs. So the financial statements that you have seen for 1976 through 1979 reflect accounting on that basis. There is no reflection at all, really, of our efficiency as a plant or of our selling prices to our automotive customers.

I think the key to this whole decision process, and the decision process in all our other plants in the United States was the total downturn in demand for our products.

Mr. Mackenzie: Mr. Chairman, I wonder if I could interrupt for just a moment here. I am having difficulty in understanding what you have just finished telling us. Are you telling us that the change in accounting procedure resulted in a cost plus seven and a half per cent operation at the Dunnville plant?

Mr. Hamilton: The financial statements that you were given by Mr. Meanwell and Mr. Goodwin, and the bank statements which I gave you today for 1979 reflect a profit which is in fact seven and a half per cent of total cost.

Mr. Mackenzie: You have taken your total costs, and you have put on a seven and a half per cent markup?

Mr. Hamilton: Basically what happens, sir, is the Canadian operation sells the product at that price to the American operation, who in turn sells it to a lot of other companies.

Mr. Mackenzie: Prior to that, you were having the AIB challenging the bookkeeping you were doing in terms of the profit figures you were showing?

Mr. Hamilton: As I mentioned previously, the question arose because of a change in the operations in 1969, where we went from being a fully integrated company to being a Canadian operation dependent upon sales and engineering coming from Detroit.

Mr. Mackenzie: There is certainly no way with the

accounting procedures you are talking about that you could get a handle on just how efficient it was or was not.

Mr. Hamilton: The accounting records do not show that. That is correct, sir.

Mr. Laughren: Could I ask a question? I missed something early on I guess. What was the purpose of the seven and a half per cent?

Mr. Hamilton: I am not familiar with the background of how that was arrived at, but there were discussions between the Essex management at the time, and the Canadian AIB, and I believe Canadian tax authorities arrived at that as a kind of a reasonable number with the counsel of Meanwell and Goodwin.

Mr. Laughren: To cover what? Forgive me, it has been a long time since I have even dabbled in anything like this. But you have your total costs. Using the revenues you have generated, from that would come your cost, to arrive at some kind of profit.

Mr. Hamilton: No. The revenues we generated in Canada were a function of our costs that we incurred in Canada, plus seven and a half per cent. In other words, the US company paid the Canadian company their total costs plus seven and a half per cent. We paid Canadian taxes on that profit.

Mr. Turner: Seven and a half per cent is what they were allowed over their manufacturing costs.

Mr. Hamilton: I really think this has very little relevance to this whole discussion frankly. I just wanted to clarify that so you would understand it.

Mr. Chairman: Mr. Martel, Mr. Laughren and others, I think that we are running a list. Mr. O'Neil is first on the list. I think we should hear the opening statement and you can indicate to the chair if you would like to pursue this or any other line of questioning. That way we will make more intelligent use of the time available to us. Would you carry on, sir?

Mr. Martel: I am confused. I am totally mesmerized by what is going on. I haven't got a bloody clue. Did they sell, up until that time, everything to the parent company in the United States?

Mr. Hamilton: We sell to the automotive parent companies from our parent company. We supply some of the components to Canadian automobile assembly plants. Some of the components that were made in Canada were supplied to US automotive assembly plants.

Mr. Martel: You see, Mr. Chairman? I don't know what is happening. That is what is bothering me. I can't figure it out. Maybe I am obtuse, but I can't figure out the purpose of all these gymnastics.

I understood you to say--I could well be wrong--that up until a certain time you just operated, and I think you did not

charge your sales and your engineering to your Canadian operation.

Mr. Hamilton: Through 1969, sir, they were part of the Canadian operation, so the statements reflected an integrated company.

Mr. Martel: But you would earn a profit on that though, you would show a profit just on that.

Mr. Hamilton: I have no knowledge of what our profits were in the 1960s. I don't think that is relevant to the discussion either.

Mr. Martel: It might be relevant from the point of view that we will eventually want to get to just how much money you made at Dunnville, lo these many years, and how we separate the amount of money you made at Dunnville from your other operations, to determine why you closed down the Dunnville operation.

I simply have to have some handle on what is going on for me to be able to question that, to try to find out, or even to ask you the right questions. What we will want to know is what you made over the years at Dunnville that led eventually to a decision to close the operation there. That is what we are all about. I am not trying to be difficult, but I just can't fathom what is going on.

Mr. Chairman: I think that if we proceed ahead, the subsequent questioning about the rationale behind the closure in Dunnville will surface. If I understood it correctly, if we are looking just at the isolated Dunnville numbers, they are not available.

Mr. Mackenzie: Could I ask Mr. Hamilton if he had anything to do directly with the operation of the Dunnville plant?

Mr. Hamilton: I am sorry sir, I didn't understand--

Mr. Mackenzie: Did you have anything to do directly with the operation of the Dunnville plant?

Mr. Hamilton: As opposed to any other plant?

Mr. Mackenzie: Yes. Were you directly involved in the Dunnville operation?

Mr. Hamilton: No, sir.

Mr. Mackenzie: Was anybody who is sitting before us directly involved with the Dunnville operation?

Mr. J. Rowe: I was, as the manufacturing manager.

Mr. Mackenzie: Located in Dunnville?

Mr. J. Rowe: In the States.

Mr. Trachsel: Maybe we should describe the kind of

operation we have, how many different plants we have and the way it is tied together.

Mr. Mackenzie: You have 330 plants--is that relatively accurate?

Mr. J. Rowe: Not that I am in charge of. Perhaps I might be able to enlighten you a little bit about why we shut down Dunnville. I think that is what the real purpose is at this moment, not all the financial thing. As a manufacturing manager, looking back at 1979, just so you understand-- You people are all familiar with Ford and Chrysler, how their economy is coming down because they are not selling as many cars and so forth.

We are even more vulnerable than they are in that we are a supplier to the auto industry. We never know from year to year, until we bid. We bid every year in our business. As we bid, they say, "Your prices are right; you get the business," or, "Your prices are not right; you don't get the business. So from year to year it is very vulnerable. Even if the auto industry were to go sky high, we could go down. Or if the auto industry went down and we picked up all kinds of business from other companies, we could go up. We are not necessarily, just because the auto industry goes down, going to go down in the same proportion. We may go down worse, or we may go down as badly.

4:10 p.m.

As it happens, since January of 1979 we have dropped approximately 70 per cent in our requirements to produce. During that time in 1979, we were forced to close five United States' plants. In other words, in the United States we did not have enough work to go around. We shut five factories down. In 1980, we shut six plants down--

Mr. O'Neil: Six US plants?

Mr. J. Rowe: Yes. And we shut down one in Canada, the one making wiring assemblies, which we are all here talking about, and we shut down the Dunnville plant in the third quarter of 1980. We don't know at this moment, after the word we are hearing from Chrysler--they are in real trouble--how that is going to affect us yet, because we don't know what they are going to do. We know some plants are going down for an extended time and things of this nature. We supply a lot of the harnesses to Chrysler, so we are very vulnerable to them. We don't know what Ford is going to do.

History was being made, in a manufacturing sense, in 1979. We didn't know from month to month what the next month was going to hold for us. Unlike all the other years of being in business when we were growing and adding plants, for the first time in our history we were really coming downhill fast. It started a few years earlier when a few jobs were taken inhouse by some of the auto manufacturers who wanted to make their own.

In this time frame things happened faster than we could cope with them. As we had no work for plants, we would try to take a plant that was running effectively and move work together into it.

There is no sense keeping a big facility with the heat, the light and the gas and everything going with just a portion of the plant operating, and having a plant 30, 40, 50 or 100 miles down the road doing the same thing.

So we slowly started to condense our operations, not knowing when or if the auto industry would rebound. It has been following, as your charts in front of you show, a steady downward trend since January 1979. In order to survive without suffering big losses like Chrysler Corporation and some of the others have had to do, we have tried to tone our operations down to meet the needs of the customer.

In the third quarter of 1980, we looked at both our St. Thomas plant and our Dunnville plant, and we saw that the St. Thomas plant was 180,000 square foot operation compared to the Dunnville facility of approximately 90,000 square feet. The Dunnville plant was approximately three times the age of the St. Thomas facility, which was 90 miles closer to the customer. It was questionable how much it would cost to heat the Dunnville facility and to keep the boilers going. The plant needed a new roof. The Dunnville plant had a gravel parking lot, whereas the St. Thomas facility has a paved parking lot.

It became evident to me that we could easily take all the work from our Dunnville facility, put it in our St. Thomas plant and perhaps increase, in time, the St. Thomas work force up to and in excess of the combined work forces of the two plants; and we are closely approaching that today. If you look back at the last few months of operation at Dunnville, as opposed to Dunnville and St. Thomas being together, the total work force in Canada is staying-- If you look at January 1980, we had 618 people between the two plants. Today, with just the St. Thomas plant in operation, we have 503 people.

Mr. Chairman: Representing what kind of an increase in St. Thomas?

Mr. J. Rowe: St. Thomas, back in January, had 364 people.

Mr. Mackenzie: How many of those people in the increase came out of the Dunnville operation?

Mr. J. Rowe: We offered jobs to the people at Dunnville. A few went there. I don't think anyone took it except in the salary categories, and some of the salaried people are working at our St. Thomas facility. There might be a few hourly people there, but I cannot swear to that. I know that some were asked about that.

Getting into this a little deeper, and I have read these transcripts of how badly we treat everybody and so forth, and it kind of bothers me a little bit. We are supposedly an American-based company, and we have gone through and have shut down 10 times as many American factories as we have Canadian facilities since 1979. We almost had the work force back to what it was when Dunnville was in operation. Totally in Canada I do admit a lot of people with 19 and 20 years' seniority are out of a job, but there are a lot of people with 19, 20, 30 and whatever

years' seniority out of jobs in the States.

That is sad but that is a fact and that is part of business. From what I have read here, a lot of other companies are in the same boat. We do negotiate contracts, but it was never negotiated in a contract or we would have honoured it. We have shut down plants from all over the United States and many of them were not in a place where you can or cannot have a union or whatever. It didn't matter. Some were union shops; some were nonunion shops.

We have shut down factories just because of a bloody lack of business. The business is just not there, and we are not going to keep a bunch of factories open with no work for the people. We did try to keep as much as we could in Canada and to keep the Canadian work in Canada to the best we could. I guess that is all I have to say.

Mr. Chairman: I will go to the list. Mr. O'Neil is first.

Mr. O'Neil: You are saying that in the US in 1979 and 1980 that you closed out 11 plants?

Mr. Hamilton: Yes, sir.

Mr. Trachsel: Remember, we are talking now only about wire assembly plants, the same kind of plant that Dunnville was. We have closed more within all 12 divisions.

Mr. O'Neil: You have closed more? Could you give us that information too because I think it adds to it a little bit.

Mr. Hamilton: We did not come prepared to talk to that. The total number is in the low 20s.

Mr. O'Neil: How many plants in the States?

Mr. Hamilton: We went from 45 to roughly 22 or 23 in total across all our divisions. The Canadian plants, by happenstance, were all wire assembly plants. We have two major product lines in our division. Jim Rowe is the manufacturing manager over all of the wire assembly plants. That number went from 22 to 10, of which initially 20 were in the US and now nine are in the US and two were in Canada and now one is in Canada.

Mr. O'Neil: This decision to close the Dunnville plant was taken in the States?

Mr. Hamilton: Yes, sir.

Mr. O'Neil: What sort of input did you have from the two Canadian plants or was there any input at all?

Mr. Hamilton: Let me start, Jim, and you can pick it up. All of our plants operate as an operating plant only, as a cost centre, not as a full profit centre. The major strategic decisions are all made at the division headquarters in Dearborn, regardless of whether the plant is in the US or in Canada. The plant managers, in general, were not aware of the decision process until

after it happened, although the information that they provide us on a regular basis was used in making that decision.

Mr. O'Neil: Do you have a breakdown between plants as to what profit is produced in each location, such as how much profit would be made in the Dunnville plant or in the other plants?

Mr. Hamilton: We report the profit on the total wire harness operation, not on the plant basis.

Mr. O'Neil: When you moved your plant operations to St. Thomas, were the ones that moved all salaried employees?

Mr. J. Rowe: No. What I said was a lot of the salaried people that were at the Dunnville plant moved to the St. Thomas plant where we had openings for those who wanted to go. Some of the hourly people were asked if they wanted to go, but only a few made applications, from what I understand, or went there. A few of them went so far as to talk to the personnel people. I do not know if there are one or two or three, but a very small number, if any, actually moved from Dunnville and went there. I do not know specific names. They were asked.

4:20 p.m.

Mr. O'Neil: What has happened to your plant in Dunnville. Do you still own it?

Mr. J. Rowe: The plant is still owned by us, yes.

Mr. O'Neil: Have you any plans for it in the future? In other words, is it up for sale now?

Mr. J. Rowe: Yes.

Mr. O'Neil: What sort of a price tag do you have on it?

Mr. Hamilton: I do not recall. I could get you that information if you like, but I do not have it with me.

Mr. O'Neil: I will let someone else go on.

Mr. Mackenzie: Did I hear you correctly when you said that the plant manager would be told of the shutdown, in effect, after the decision was made at headquarters?

Mr. J. Rowe: Yes.

Mr. Mackenzie: He would have no input or no advance notice of the shutdown at all?

Mr. J. Rowe: None whatsoever.

Mr. Mackenzie: How in blazes would the community or the government or a plant manager, if he wanted to make a case--or does he not have that much authority--make his points if he is told after you have made the decision to shut the place down? Suppose there was an overwhelming community reason for that plant

operating--it would be hard to foresee but just suppose there was--how do they get any input into it before you have made the decision to close it down?

Mr. J. Rowe: As such, they would not.

Mr. Mackenzie: What you are telling me is that the one and only consideration is what the corporation has decided to do for financial reasons.

Mr. J. Rowe: Yes, but you must bear in mind that we have also people in our division offices. My assistant is a Canadian and has spent the last 18 years working between St. Thomas and Dunnville. He is able to brief me on all the community responsibilities and all the things going on.

Mr. Mackenzie: He advises as your assistant working for you. You have nobody there in the plant location in charge or in the community who has any input whatsoever into the decision you decide to make?

Mr. J. Rowe: Not in the plant in that facility, no.

Mr. Trachsel: I think that you should not assume we are totally isolated from the plant. We get input from the plant all the time. When we make a decision to close it, it is a decision that is made on an objective basis, at which time we review all the facilities that we have and decide which one is the logical one to close next, unfortunately, since we have been going down this line. We do it, hopefully, with a complete knowledge of all the factors that are involved, not just the financial factors.

If there were an overriding public issue, I would have to assume that we would know about it through our daily contact with the plant manager, through his man who liaises between the Canadian facility and Jim's office, but we do not, when it comes time to make the decision, consult with or actually advise the plant manager.

Mr. Mackenzie: It is remarkably similar--and I am not sure who is better off--to the Bendix situation we went through in Windsor. There at least the plant manager, the Canadian president, was called on May 28 and told that he had two weeks to give a good reason why they should not close it. I really wonder at the professional and corporate morality of the way that you are operating here. I find it difficult, because what you are telling me is, regardless of what the community situation may be, nobody has any say. They are told: "You are shut down. Now we will tell you. You are the plant manager, but we are shutting you down."

Mr. Trachsel: Again, I think it is unfair to make it sound as though we do this in complete isolation without considering all the factors, because we consider all the factors that we have available to us. It is true that when those factors and that data and information is assembled, we do make the decisions. Somebody has to do that. If we went around and asked people which plants they wanted closed, we would still have 43.

Mr. Mackenzie: There is a little thing like a border. I realize that seems to mean damn little in a situation like this, but if anything comes through in these hearings it is that in plant after plant after plant the decisions are made outside and we do not even have input. We are told after it is an accomplished fact.

Mr. Hamilton: I could mention one other thing to you. I understand that point of view. There are people like yourselves in state governments throughout the United States who have exactly the same situation--not that that makes it right or wrong. The fact is it is a business decision based on financial considerations and based on the specific mix of business which has declined.

Mr. Mackenzie: That has come through free and clear. We had Mr. Smith tell us in the Bendix case, "We had a modern up-to-date plant and we were making money." That may not even be the situation in your case. He said: "There is no question about that. I thought it was viable, but I was told--and the studies backed it--the decision is the bottom corporate line as to how we can maximize profit in Bendix."

I understand it from your point of view. I just worry like hell about what you are doing.

Mr. Hamilton: The question is how do you cope with that?

Mr. Mackenzie: I am not sure they were any different. They still had a viable plant. That is the point I am making. The only people who are the losers in that--your sales may be up or down at any given time--are the workers in that plant and the community, and they sure were the losers. We had some of them here; they were ordinary decent people.

Mr. Hamilton: I am sure they were.

Mr. Mackenzie: The feeling among them was pretty strong. What they went through is at least equal to any suffering you have in terms of having to cut back the number of plants you are operating.

Mr. Hamilton: This is not a very pleasurable occurrence for either side, no question of that.

Mr. Mackenzie: Except that one side seems to have the capability to withstand it a hell of a lot better than the other, and that is what bothers me. We have not made the provision that there is the additional support or services for these people. They take it on the bloody chin from the day they get that notice.

Mr. Mancini: Mr. Chairman, I have several questions concerning the financial operation of the Dunnville plant and the way these figures came about. First of all, it was told to us that you had two plants in Canada that make these wire harnesses. What you did was basically figure out a cost factor for the operation of the entire plant, then added seven and a half per cent on top of that cost factor and that gave you your profit.

Mr. Hamilton: In recent years, that is correct.

Mr. Mancini: Recent meaning since 1969.

Mr. Hamilton: No, since 1976.

Mr. Mancini: What was that change then you made in 1969?

Mr. Hamilton: In 1969 we followed our customers' lead and brought our sales and engineering functions from Canada to the United States. This is how we would serve our customers because their counterpart people were there.

Mr. Mancini: I understand that now. So from 1976 forward then you said it cost this much to operate the Dunnville and St. Thomas operations. Therefore, in order to make a profit, you will tack seven and a half per cent on top of that as you sell it up the vertical line of the corporation. Is that correct?

Mr. Hamilton: Yes.

Mr. Mancini: So basically what you did is sold to yourself as any vertically integrated corporation would. In order to do that, in order to know that you could do this, would you not first have to figure out what the actual cost of operating the plants are and, therefore, would you not know on an individual basis how much money each plant would make?

Mr. Hamilton: I do not really understand the question. How much money the plant makes is a function of its costs.

Mr. Mancini: It is simple. You say, "It costs us \$1 million a year to operate this plant, we are going to add seven and a half per cent on it, therefore we make a profit." If that can be done, then certainly you know in dollar terms what profits these plants are making.

4:30 p.m.

Mr. Hamilton: That profit has no relevance to the operating efficiency of the plant. It is a function that was derived to: One, meet the Anti-Inflation Board standards and; two, to assure the Canadian taxing authorities that we would pay a fair level of taxation within your country.

Mr. Mancini: Tell me, how can it be that the corporation could not know how much money each individual operation is making and then ever hope to stay in business or ever hope to operate efficiently? How can you assess whether you need new equipment, whether you are falling behind in technology, whether there are too many man hours going into a particular piece of product, whether there is too much overhead in that particular piece of product as far as management goes or costs associated with management, such as computer accounting and all the types of things that a big operation would need? How does one figure that out?

Mr. Hamilton: I did not say we did not know that. I said

the statements that you have do not show it.

Mr. Mancini: That is the information I want, Mr. Hamilton. I want to know, as a member of this committee, how many dollars of profit were earned from the Dunnville plant, and if you could inform the committee of that I think we would appreciate it.

Mr. Hamilton: I cannot inform the committee of that.

Mr. Mancini: And why would that be?

Mr. Hamilton: Because our records are not kept that way. We do not have that information available.

Mr. Mancini: I have a theme here I would like to finish.

Mr. Martel: It was right on that theme I wanted to--

Mr. Mancini: I am sorry for being rude.

Mr. Martel: It is the original question I asked. That is what we want to know, what the costs were in Dunnville, what the profits on Dunnville were, because how can you determine that that is the plant that you are going to cut back the production on or lay the work force off?

Mr. Hamilton: Your assumption is that those are the criteria on which the decision was based. Mr. Rowe pointed out earlier that the decision was based on looking at a number of plants and the specific products that were produced in those plants, and then the plant that had the wire harnesses for one of the automobile lines that probably had the most significant drop of any line made in the United States, the Lincoln--

Mr. Martel: You are putting words in my mouth. Do not put words in my mouth. What I want to know is whether the most efficient plant shut down or whether the most obsolete plant shut down or whether it was just a corporate decision to cut a plant back, I have to in my own mind assess how that affects Ontario. I also want to know why it is that you might be shutting down a very profitable operation as opposed to one that is a hell of a lot less profitable.

Mr. Hamilton: All of these operations were very profitable when they were running at full capacity. We could have run the cumulative group of them and been profitable.

Mr. Mancini: Mr. Hamilton, I believe it would be fair to say that your senior management in the United States, United Technologies, they would pretty well know each plant as far as the condition of the plant, its structure, as far as the equipment and how modern or outdated equipment would be on the productivity of the work force in each plant, and also the management of each plant, and many of the other minor details. Would that be fair to say?

Mr. Hamilton: Mr. Rowe is the senior manager who knows those things and who makes those judgements.

Mr. Mancini: Right. That being the case, and with all the other figures provided to you, it would not be difficult and I would assume that somewhere, where your corporation, either in Canada or the United States, keeps these records, that there would be files indicating the amount of dollars in profit or loss made by every plant under your supervision.

Mr. Hamilton: It is not kept that way.

Mr. Mancini: Do you mean to tell the committee, sir, that you are in charge of a dozen plants and you do not know which one is making money and which one is losing money or how much?

Mr. J. Rowe: From a manufacturing standpoint now, if you can understand this, what I mentioned earlier, we are a supplier to the auto industry and we sell products to the auto industry. We do not sell every product to the auto industry for the same market. So a particular plant could look good--

Mr. Mancini: We are talking about harnesses now?

Mr. J. Rowe: Yes. A certain harness we might sell for hardly any profit, another harness might sell for a big profit, another one just sells for a moderate type of profit, and if I judged a plant's operations strictly on how much money did you make selling your stuff that maybe you had a low profit on or a high profit on, that really does not really enter into operating a factory. In operating a factory, I am concerned over how effectively they run the type of products and the mix of products they have as opposed to somebody else.

Plants which are running 100 different types of products every day at a low volume, each part cannot hope to run as effectively as a plant that has one or two parts that run every day.

Mr. Mancini: That reminds me of a spring operation I am familiar with and said plant must make 100 different springs, but the corporate parent of the plant knows the dollars profit or loss from that plant and they adjust the work force and the overhead and everything else according to that.

I would have thought that is just basic, simple accounting operations and procedure. I am shocked that--

Mr. Hamilton: You are missing one very important point that Mr. Rowe is making, sir.

Mr. Mancini: No. He is--

Mr. Hamilton: Let me finish, please. That point is that the pricing decision of how we set a price to quote a particular part to one of our customers has nothing to do with the efficiency or the effectiveness of one of our plants, and the fact that we select one plant to run a given part, which is priced at a low margin, and another plant to run a part which may be priced at a high margin, has nothing to do with the effectiveness of the plant, which is why we do not measure profitability by plant. You

measure manufacturing effectiveness by plant, which is a whole different issue.

Mr. Mancini: I understand that, Mr. Hamilton. But I also understand that if you have a string of plants and for one reason or another the low-profit, high-cost product has to be manufactured in that plant, and you would have to maintain that product line in order to keep the other contracts, which are more profitable, I understand that you would probably run that plant with a break-even level or even a loss. But how in the world could you operate, how in the world could you know how much to charge if you do not even know whether you are making money or not? This is unbelievable, really. I find this--

Mr. Trachsel: It is not to say that we do not know, if I could.

Mr. Mancini: Then if you know, could we please know?

Interjection.

Mr. Trachsel: Wait a minute. It is not to say that we do not know, as a wire harness operation, whether we are making money or we are not making money. We know that. But if you look plant by plant, those plants do not price the business that goes into them with a customer. So you would get a totally misleading impression by looking at profitability of plants, even if we had the information.

For instance, if we put something in the Dunnville operation which was a low-margin product, and as you have suggested you understand that we might take low-margin business for good and valid considerations, then you might very well see that the Dunnville plant was either making little profit or no profit and yet that could be one of the operations that, for other business reasons, we would want to keep open. What we are trying to explain--

Mr. Mancini: You would want to know that also.

Mr. Trachsel: What we are trying to explain to you is that the rationale behind closing plants is not as simple as profitability of this plant versus that plant. They are not autonomous functions that price and have all costs associated with them so you can set costs against revenues and achieve a meaningful number for profit. They are simply manufacturing facilities. The pricing is done somewhere else. The marketing is done somewhere else. The engineering is done somewhere else.

In order to know which plant to close, you consider the level of business that you have and you look at any slice in time, at all the existing facilities that you still have, and you decide from a viewpoint which is much more broad which one is the most sensible one to close next. It is too simplistic to say that each plant has a profit or loss associated with it and you just go down the list in order of profitability. It is not that way.

4:40 p.m.

Mr. Mancini: You may think it is simplistic, but I do not agree with you, or anyone, no matter how limited one's experience in business is or is not, for anyone to be told that 45 plants, or now 23 or 24 plants can be operated and management does not know the profitability of each single plant, that is really--now that may be the way you operate, but that is hard to believe.

I do not know--you have got this chart here which shows us that business is terrible. We know that. We know the auto industry is in a terrible state at the present time for many reasons. But you have got this chart here showing how bad things are and yet you take action to consolidate your business, to do all of these things as you say to stay afloat and make sure you can get by this period of time and you do this--and you tell us that you do this without knowing the profitability of the existing plants.

If you want to tell the committee we closed X number of plants because they were dilapidated and the equipment was outdated, but the profit was marginal and we could make more over there if we fixed things up, et cetera, these are all valid considerations that the committee would want to hear. But I do not know, to come before the committee and tell us that you are not aware of how much money in profit and loss was made at the Dunnville plant, to me, is really--that may be true, but it is very difficult to see how anyone could operate in business under those circumstances.

I always thought business was to know how much the product cost, how many man-hours it took to make that product, what was the overhead as far as management, what it cost to transport that product from your warehouse to the consumer or from your warehouse to your buyer; what are all these costs associated with this, and then after taking all of that into consideration, you say, "It costs a dollar to make that object and we need seven and a half per cent on top of that." This is very difficult to follow.

Mr. Hamilton: That is where you are getting off the track, I think. We know all of those factors. We know that if the Dunnville plant or any plant makes this particular part, we know how much it costs. We know how many hours or minutes of a person's time it takes to make it and Jim controls his plants under those kinds of parameters, but it has nothing to do with profit at all. It has to do with the cost and the controlling of the cost of the product. Profit is a function of pricing which is totally independent of plant structure. That is the point we are trying to make.

Mr. Mancini: Profit is the--

Mr. Hamilton: Is a function of pricing.

Mr. Mancini: Profit is the function of pricing.

Mr. Hamilton: Which is completely out of the hands of the plant management people. Jim Rowe has nothing to do with the

price for which we sell a product.

Mr. Mancini: I accept that. But the fellow, or group of gentlemen and/or ladies, who make the final decision on the pricing have to know what they are basing it on. They have to know--

Mr. Hamilton: We base it on a cost--

Mr. Mancini: They have to know that if they charge \$1.10 or \$10 for a certain item, that is going to be enough to cover everything, and therefore when you are able and capable to do that, you are able and capable to say: "Yes. We are going to make, we project to make two million dollars profit from the said operation."

Mr. Hamilton: That decision is independent of plant.

Mr. Mancini: The only thing we want to know, as far as I am concerned--I do not know about the other members of the committee; I will speak for myself--I want to know if you can compile the figures, if you have the information to compile the figures, I want to know how much money was made or lost at the Dunnville plant.

Mr. Chairman, I submit that I want that information laid before the committee. I have to believe that the information is at your disposal to compose those figures, if they are not already composed. That is for starters.

Mr. Chairman: Mr. Mancini, would you permit a supplementary of Mr. George Taylor?

Mr. Mancini: What about my request for the information?

Mr. Chairman: It has been made.

Mr. Mancini: I have not heard an answer.

Mr. Hamilton: You have asked it three times and I think we have answered it two times. I will answer it the third time. The answer is that: Number one, it is not available; number two, if it were available, it does not bear on the decision to close this plant or any other specific plant. The plant's efficiency is very important. The profit is--

Mr. Mancini: This is unique in business history, I will tell you. This is unique in business history when senior management cannot tell whether a plant is making money or not. That will be my response to your response.

Mr. Hamilton: I accept your response.

Mr. G. Taylor: I assume Mr. Mancini is going to allow a supplementary to the question. When you are talking about these harnesses, I assume that they are made in three or four different plants or any number of plants other than the Dunnville one. Is that correct?

Mr. Hamilton: Yes. They were made in 22 plants at the beginning of 1979. They are now made in 10 different plants.

Mr. G. Taylor: To follow up with Mr. Mancini, you know the cost of those harnesses from all of those plants. You cost them out.

Mr. Hamilton: Yes, sir.

Mr. G. Taylor: When you sell them to the end user, you are also selling them as a product line rather than individually, such as--

Mr. Hamilton: No, individual items.

Mr. G. Taylor: Individual items, but when you are bidding on a contract, you are doing what, harnesses for five or six different automobiles?

Mr. J. Rowe: One at a time.

Mr. G. Taylor: One at a time.

Mr. J. Rowe: One little harness at a time.

Mr. G. Taylor: I do not know whether Mr. Mancini understands the questions he asks, but does that not back up through your system so that the cost of each item is known, or are you doing ball-park costing on all those harnesses?

Mr. Hamilton: No, sir. To give you an example, today I sat in a meeting before I came here and we looked at the price levels of a number of parts that we were quoting to the Ford Motor Company for the 1982 model year. We had individual costs and individual selling prices that we quoted to the Ford Motor Company. We were in negotiations with them on an individual, item-by-item basis.

The negotiation was working in two different ways. One, there was a price level negotiation, and tied to that was a percentage of their total business kind of negotiation going on. For example, if we quoted the harness for a Granada, they would say: "This is the price if we get 100 per cent of the Granadas and this is the price if we get 50 per cent of the Granadas"--that kind of a thing. So that is going on on a piece-by-piece basis.

At the time that decision is made, to price the 1982 model year part, we do not necessarily know exactly which plant that part will be made in. We can make it in several plants.

Mr. G. Taylor: Then to follow your--

Mr. Mancini: Is this a third supplementary to--

Mr. G. Taylor: I am trying to sort out what you--

Mr. Mancini: We do have a list and I know you are on the list; I also know you are the brain trust for the Conservative

Party, but we are running a list and I would like to finish my questioning.

Mr. Cureatz: That is hearsay, Mr. Chairman.

Mr. Turner: I should hope so.

Mr. Cureatz: An acknowledged fact, but hearsay.

Mr. Chairman: We will make this the final supplementary and then Mr. Taylor is on the list.

Mr. Mancini: The final supplementary, okay.

Mr. G. Taylor: See if I can summarize Mr. Mancini's problem here: when you are looking at all the different plants that make harnesses, you are measuring each individual operation's cost effectiveness against production. Is that how you make your final decision? Such as the Dunnville plant can make X harnesses in so many hours at so much cost and it is not as good as a plant over here; is that how you are measuring it?

Mr. J. Rowe: Let me try to point out what hit the Dunnville plant. The primary reason that plant was chosen, over and above anything you have mentioned, was that that particular time frame was a time frame when, in the United States especially, there was a tremendous scare on gasoline, on people getting enough gas for their cars. The car line at Dunnville was basically making, at that point in the game, harnesses for the Mark and Lincoln car lines. It got drastically hit at the customer and went down to almost nothing. We could not believe that they would build as few cars as they did.

On our own, to keep the people working and try to keep the operation going, sitting there in the plant right now is about \$1 million worth of finished goods that we should not have made; but we made them and they are sitting there today. We could not believe this was going on.

Finally, when it reached that serious situation, a decision had to be made: what are we going to do now? We were in trouble all over, all kinds of car lines were going, this one was almost down to rock bottom. So the decision was made: we have another plant in almost as bad shape at St. Thomas, we could salvage one of the two plants: which one should it be?

4:50 p.m.

It looked to us, from a manufacturing standpoint, that we had a much nicer facility in St. Thomas as far as being able to meet competition prices by having larger assembly lines, by being able to manufacture in a more economical manner. We took the line that was being run at Dunnville, which was only able to make about 120 feet of assembly line space because of the space in the factory, put it into a much larger facility and put it on a line that is 180 feet long, where we could put many more people on the line and each person would have less to learn, they could run more effectively.

That was one of the big reasons why we closed it. It had nothing to do with all the pricing and costing and accounting features that he is talking about. If you want to know why we shut a plant down, we are trying to tell you. If you listen to us we will tell you. We have nothing to hide. We are trying to tell you why we did something. We thought that is what you are here to hear.

Mr. Mancini: I am listening to every answer you give us.

Mr. Chairman: Mr. Mancini, have you completed your questioning?

Mr. Mancini: No, I have some more questions.

Mr. Chairman: May I do this? It is 4:50 and Mr. Martel, Mr. Miller and Mr. George Taylor are on the list, and I would just ask--

Mr. Mancini: George does not have to get back on. He took about 10 minutes.

Mr. Chairman: We put him on the list in order that you could carry on.

Mr. Mancini: Oh, I see. I am always here to listen to Mr. Taylor's questions.

We have been informed that the financial working papers for the Dunnville plant are coded 76. Why would that be?

Mr. J. Rowe: What is that?

Mr. Mancini: Are coded by the number 76.

Mr. J. Rowe: The Dunnville plant is number 76; St. Thomas is number 36.

Mr. Mancini: Yes, but is there a specific reason?

Mr. J. Rowe: Years ago it was the number that popped up and that is the number in the computer that we have.

Mr. Hamilton: An insignificant code number.

Mr. Mancini: It is insignificant?

Mr. J. Rowe: Yes. We have 11, 41, they are all different numbers.

Mr. Mancini: I thought maybe you used it to keep track of the figures and where they came from.

Mr. Hamilton: It is used as a code number to collect data from that particular operation as opposed to some other operation. But the number 76 has no meaning.

Mr. J. Rowe: It could be number 34, but 76 is what has

been associated for many years with--every time a plant comes into existence it is given a number.

Mr. Mancini: Yes, maybe I did not ask my question correctly. You code the operations of each individual plant to keep track of the figures at headquarters?

Mr. J. Rowe: Yes, right.

Mr. Mancini: What would be the purpose of keeping track of figures if you are not interested in--

Mr. J. Rowe: We are interested in daily efficiencies of a plant; for example, how efficiently we are running. We can track it--for example, if a plant has been running 60 per cent along here and all of a sudden it goes to 40 per cent, we want to know why; or if it goes from 60 and goes to 80, then we are happy, but why? We follow that sort of thing.

But a particular plant, and this is what it is perhaps difficult for you to understand without being in this business, a particular plant might run 60 per cent and be more effective than a plant that runs 80 per cent, based on the type of products it is running. If they are changing every day and a girl cannot learn the job because she is not running it day in and day out, she cannot be as effective; we realize that and understand it.

Mr. Mancini: That is reasonable. It was also provided to us, I guess from the figures you provided to the committee, that in 1978 Essex International of Canada paid dividends of \$15 million to its US parent. Is that correct?

Mr. Hamilton: Yes, sir. That is correct.

Mr. Mancini: That is in 1978. Help me along here: how do you make these dividend payments? How are they made? Is the money just deposited in the--how is this done? How do you transfer--

Mr. Hamilton: I do not understand the question.

Mr. Mancini: How do you transfer \$15 million from the Canadian operations to the parent operation?

Mr. Hamilton: I presume we write a cheque.

Mr. Mancini: It is that simple?

Mr. Hamilton: Yes.

Mr. Mancini: You see, they do not need a truck after all.

Mr. Martel: I thought they took it over in a truck.

Mr. Mancini: No. They do not need a truck.

Is this done at the end of the fiscal year?

Mr. Hamilton: Normally.

Mr. Mancini: You say you had two plants; this is just from the wire harness operation, the two plants?

Mr. Hamilton: Yes, sir.

Mr. Mancini: So the two plants were able to show a profit of \$15 million.

Mr. Hamilton: That dividend declared in 1978 was the cumulative impact of the retained earnings of the corporation in Canada for a number of years.

Mr. Mancini: There was no dividend in 1977 and 1976?

Mr. Hamilton: I cannot say there was none, you have the statements in front of you, but there were lower levels of dividends than might have been prudent due to involvement with the Anti-Inflation Board. Another factor is that that total dividend included some retained earnings that related to an American insurance company in Nassau, Bahamas, which was part of the International Wire and Cable Company, which was the facility at Dunnville that Essex acquired back in 1960.

This money relates back to a very, very long time period, and was all paid out in 1978, for reasons all of which I am not familiar with but it had to do with a restriction on dividend payments while Anti-Inflation Board investigations were going on. It does not relate to the 1978 operations, it relates to many years of operations. We had an excessive amount of retained earnings in the Canadian corporation, more than a corporation that size could ever use in its operations.

Mr. Mancini: Of course, all of the profits were made from the two plants, and one would automatically come to the assumption that if a \$15 million dividend can be paid by cheque at the end of the year with someone's signature on it, to the US parent corporation in 1978, and a smaller dividend, of course, in 1975, and you mentioned possible other dividends before that--

Mr. Hamilton: There was another dividend in 1979.

Mr. Mancini: So one would automatically come to the assumption that the two operations in Canada, Dunnville and St. Thomas, are enormously profitable.

Mr. Hamilton: I don't know how to quantify the enormous, but I think over the years, as I mentioned in my opening remarks, our operations in Canada, Essex's operations in Canada, since 1932 I believe, have been very profitable. It has been a good business for us. We have done well. We have done well because we have had a substantial amount of automotive business. We have kept the plants running at a high level, and their volume has been able to support that; and that was also true in the United States. When the volume went away, we were no longer able to support that total quantity of production capacity.

Mr. Mancini: Were the dividends in the US plants

comparable to what you were making, or the dividends paid from the--

Mr. Hamilton: There are no dividends in US plants. It's a consolidated corporation.

Mr. Mancini: That's fine. I have no further questions.

Mr. Martel: I have difficulty, I must confess, with--I am not as hard to get along with as you are, Remo. I have difficulty, I must confess. I go back to what Mr. Mancini was questioning you on. Efficiency, you are indicating, is what determined which plant you would cut down, I presume, cut back or shut down?

Mr. Hamilton: Well finish your question and then I'll respond to it.

Mr. Martel: It has nothing to do with profitability. It has nothing to do with costs. It has to do with some sort of efficiency. I am trying to understand pretty damned clearly why it is you closed the doors, and let me tell you why.

Over and over again, this committee has sat through company statements of how they rationalize their production and why they cut back. A couple of companies, such as Armstrong Cork, simply said the rate of return was not sufficient to warrant keeping their operation going. If one is going to close a plant, I presume one makes a determination to keep its most efficient and profitable organizations alive. You indicated there are some lines that you cannot do that for because the rate of return is not very high on a certain commodity.

5 p.m.

Those don't seem to be any of the reasons for closing your operation. I want to know if it is merely not the same as in other cases. When one starts to rationalize the closing of plants, it is much easier to close one down in Canada than it is somewhere else, and to supply from the United States.

Mr. Trachsel: I think, Doug, if you went through the figures again--

Mr. Hamilton: Let me clarify again. Going back to your point on the efficiency. Jim mentioned that he used efficiency as one of the tools at his disposal to understand which plants were doing a better job. That measurement is not only used in plant closing decisions. It has been used on an ongoing basis, for as long as Essex has been in operation, as a way to measure the effectiveness of plants and the effectiveness of the management at plants, who work directly for Mr. Rowe.

There are a set of measurements relating to efficiency and utilization of resources and people which are used to measure the performance of a plant or a plant manager, and those were taken into account in the decision of which plants to close. They were not the sole determinant of which plants to close.

I take exception to your comment about it being easier to close a plant in Canada than it is to close a plant in the US. As I mentioned to you, we closed nine plants in the US before we closed one plant in Canada. That was not because one was in the US and one was in Canada. It had to do with the total mix of our product, the total level of our business and the skills available at given plants at a particular time. It is a very complex decision. It was obviously not a decision that was taken lightly. It was taken over a very long period of time.

Mr. Martel: Efficiency was one of the measures, but profitability is not?

Mr. Hamilton: Correct.

Mr. Martel: You are saying that because there was a reduction in the market, you simply closed this one down with a number of others to get down to the level of production you wanted to achieve.

Mr. Hamilton: That is correct.

Mr. Martel: Now the question that I want to find out the answer to: Were there other plants which were not as profitable and not as efficient, but are still operational?

Mr. J. Rowe: What was that again?

Mr. Martel: That were not as efficient, are not as profitable and yet remain open?

Mr. J. Rowe: You are asking if I did it on profitability, efficiency and so forth. I mentioned to you a few minutes ago that I looked at the two plants in Canada and the situation that existed there at a period in time. I saw one large facility with very little work in it and another facility with very little work in it, and that I could take all the work and put it into the one larger facility.

It made good sense for us to make that type of move. We made that type of move in the States where we had two plants close together and didn't have enough work for both plants. We decided we would combine the work into one facility.

Mr. Hamilton: In general, sir, one of the underlying tenets in this whole process was a tendency away from smaller plants into larger plants. We have a few larger plants to do the work in the event that the automotive business does turn around. We would be able to accommodate that growth by expanding in larger plants and have a smaller total number of plants. That was the only other underlying reason besides the specific, detailed ones that Jim mentioned earlier.

Mr. J. Rowe: We don't want to leave you here with the impression that we shut down Dunnville down because the people were not any good or could not do a job.

Mr. Martel: It isn't that.

Mr. J. Rowe: We do not mean that. We have never said that they were not a good work force. They were a good work force. We had a lot of good work forces that we have unfortunately had to shut down.

Mr. Martel: Are you supplying your entire Canadian customers from your Canadian operation, be it Chrysler, be it anyone else; solely from your Canadian producer, St. Thomas?

Mr. J. Rowe: St. Thomas is supplying basically Ford products.

Mr. Martel: How much is being sent in from the States, from some of your operations in the States?

Mr. J. Rowe: We are shipping some work to Ford, St. Thomas, I believe it is. Is that what you are saying?

Mr. Martel: Let me be very specific then. Let me ask you two things. Who are you producing for? And how much of that production is being imported from operations other than St. Thomas? In other words, how much material are you shipping into Canada?

Mr. Hamilton: Some of St. Thomas' output is exported back to the United States. It goes both ways.

Mr. Martel: Yes, but I want to get a handle on the percentages. You might send 10 per cent of your production from St. Thomas to the States, but then, forgetting percentage terms, you might be shipping into Canada five times that amount. So what I am trying to find out from you is, how much are you shipping into Canada? And I don't know how you measure it. Do you measure it by the number of harnesses? And how many are you shipping out?

Mr. J. Rowe: Most of the work in St. Thomas is being shipped to the United States. We make what we call high tension cables which go to engines which are used in Canada as well as in the States. Most of the work in St. Thomas is going to the States. Since there is nothing else in Canada, anything coming into Canada would be coming from the States.

Mr. Martel: How much are those comparisons then? How much are you shipping out, how much are you importing for your customers in Canada? There must be a unit measurement to this. I don't know if it's by the harness or by the foot or how the hell you do it, but I would like to know how much you import and how much you export?

Mr. Hamilton: I don't know the answer to that, but we can get that answer for you, but let me give you a little bit of explanation.

We sell a particular part to the Ford Motor Company, for example, or Chrysler, it doesn't matter. They might make a car line that that part goes on in more than one facility. And we might say, okay, 50 per cent of your business is going to be made by Essex for that particular car line. And then they will tell us, on

a weekly basis, where to ship that. They might say, this week you ship it to this place, and this week you ship it to that place; so it is not totally within our control in terms of the distribution of the product within the Ford Motor Company for example.

Mr. Martel: I am not worried about what Ford does with it. I want to know how much is the volume of your import as opposed to the volume of your export? Surely that isn't a hard question to answer?

Mr. J. Rowe: We don't have that answer here.

Mr. Martel: It is important for us to know the product lines you are making, to determine what we perceive to be the reasoning--or I perceive, I won't even include the rest of the committee. I am from Missouri you see. I have a suspicion.

Mr. Hamilton: My reaction sir, is that we export more from Canada than we import to, but I could get you that information. I just do not have it with me today.

Mr. Martel: Yes, for all lines. And you could give it to the clerk because I think it is important that we know. Obviously you must be aware of the question I am leading to.

Mr. Hamilton: We understand the question.

Mr. Martel: I am obviously saying, was it necessary to shut down the Dunnville plant, as opposed to some plant in the United States? Because if you are exporting more, that changes the complexion of the picture. If you are importing a lot more to meet your customer's demands here, then I question--

Mr. J. Rowe: I think you will find that we were exporting more than importing.

5:10 p.m.

Mr. Martel: Well, I hope we can find out.

When did you first decide to close? That was a decision made in the United States obviously. You decided you would close. I think you indicated the Canadian management did not know anything about it. When did you decide to close your Canadian operation in Dunnville?

Mr. J. Rowe: I would say that we were very concerned in June as to what was going to happen with the auto business.

Mr. Martel: Of this year?

Mr. J. Rowe: June of 1980, because of what was happening, especially to those car lines. In the April, May, June time frame there, we were getting concerned. I don't think we had made a final decision. Again, we were closing them down in a pretty rapid rate in that time frame. In 1980 we closed seven factories down and that requires a tremendous amount of movement of things, and that was going on. I think that we were near a

decision in early June, but we really had not set in our mind that it had to happen. And then the business just kept going down steadily and we did shut it down.

Mr. Martel: When did you finally decide to close it? How much time lapse was there from the time you first considered it in June until you did it.

Mr. J. Rowe: We were first considering closing several plants down in about the time frame of right in the first quarter of 1980; we were trying to decide which plants and where. And we starting closing them down to see how far we could or should go. And that is pretty significant, when you start shutting big factories down and you shut four down in the first quarter of 1980. You hope that is going to be the end of it, and still the market keeps going down, and we don't pick up the kind of business we think we are going to pick up from the customers, so we shut two more down.

Then they start going down further in their schedules, and we were at the point where we had to continue on. And I guess I would have to say it was in that early June time frame that we were very concerned, and we thought it was going to have to go down. That is when they put their first notice up about an indefinite layoff. We were really concerned. We did not know when we would be able to bring them back or if we could. Then I think in the July period was when we knew there was no turning back.

Mr. Martel: So in July you made that decision. It was all made in the States though? There was very little input from the Canadian--

Mr. J. Rowe: When we made this decision, it was all made in the States. If you people can bear it in mind, my right hand man is from Canada; one of my assistants is the ex-manager from Dunnville. These are all people who are working with me, who are all involved when I make a decision. I make a decision, and it comes from not only me, but my people working with me, their opinions on the questions I ask them and so forth. We take this up to our top management and say, "In our opinion, this is the plant that should go down." And we go through the size of the buildings, the products they are making, what it would take to move anything else in either place. Can we survive?

We don't have a lot of extra tooling where you can just juggle things around between two and three plants overnight. When you do make a decision to move something, you have to move it.

Mr. Martel: Coming to another point then, this chart you gave us, I really don't understand it as it pertains to Canada, and what it really means. Because when I look at your sales in Canada I guess, in 1977 they were in the neighborhood of \$17 million. In 1978 they were \$21 million, and I am not sure what they were for 1979. But they were going up while this was going down.

Maybe somebody could explain that to me, how the whole graphic picture shows a downward trend but, in fact, if I look at

some of your statements, your sales in Canada were going up and not down.

Mr. Hamilton: Our Canadian production volumes parallel that line very directly. They were down from the last quarter of 1978 to the first of 1979, down again in the second quarter, down again in the third quarter, up slightly in the fourth quarter of 1979, and then way down in the first three quarters of 1980. So if you drew a line for Canada on that piece of paper you would parallel that other line.

Mr. Martel: I do not understand production and sales then because your sales were going in the opposite direction.

What were your sales in 1979? They were \$24 million, so in fact your sales in 1977 were \$17 million, your sales in 1978 were \$21 million, your sales in 1979 were \$24 million. I cannot visualize--

Mr. J. Rowe: One thing, again you are looking at a sales dollar. Part of our product that we have in Canada is that we moved from the United States all the high tension work we were running which was in one of our Stateside factories, which shared it with St. Thomas. We stopped running it in the United States and ran all of it at St. Thomas, in Canada, and shut that operation down in the United States. That is a very high cost item; not a high profit item, but the material cost is extremely high and the selling price is extremely high. I do not know if that will explain that or not.

Mr. Hamilton: There is one other explanation in addition to the one Mr. Rowe just mentioned and I do this with great trepidation because it is the kind of answer that is going to be misconstrued.

As the volumes of the plant go down there is a tendency for the work force not to go down as fast as the production output goes down. Due to the way our accounting system is working, which I described previously, that makes the cost of an hour of production go up because you have more people doing less work because you do not take the people down as fast as the production goes down. So when there is a downturn in the business the costs of our plants go up per unit output.

The way we are accounting for transactions between our Canadian operations and our US operations, that would tend to make the cost go up relative to the output and the sales would go up the way they are recorded in those statements.

The Vice-Chairman: Might I remind the committee that we have less than 45 minutes? We do have Mr. Miller, Mr. Taylor, Mr. Cassidy and then myself and Mr. Mackenzie on again.

Mr. Martel: Yes, Mr. Chairman, I appreciate your concern.

You measure a lot of costs and I could not help but write down when you were commenting. You do not seem to take into

consideration the social responsibilities involved. The only thing you measured it with was the bottom line. What are your social responsibilities or is it just measured on the bottom line of the corporation's balance sheet?

Mr. Trachsel: I think one thing you have to consider is that, as was mentioned earlier, this was not taken down as drastically as it might have been, and maybe some would even say it is not done as drastically as we would have done it to be prudent. We do have \$1 million worth of inventory sitting around somewhere.

Mr. Cureatz: A supplementary, Mr. Chairman: What would drastically be then?

Mr. Trachsel: Sooner than we did it.

Mr. Cureatz: I think Mr. Martel means in terms of the corporate social responsibility and treatment of the work force, and centering in on that in terms of drastic, can you think in terms of how more severe you would be? You will be in trouble with the boss upstairs.

Mr. Trachsel: It would be \$1 million worth of inventory more severe, that is all I am suggesting. It is not something that we can quantify exactly. The fact remains that when you do not have the work, you simply cannot employ the people, and you cannot go beyond that.

Mr. Cureatz: I am not denying that, the question from it is okay. How about treatment of the work force in the event of a closure? The impression I got when the workers were here was that, generally speaking, the corporate responsibility was certainly not on the A-plus side. I am still waiting to hear full testimony from you people to decide where I am going to place it.

Again my question was--this would appear to me to be a lack of moral understanding and commitment to the general employees in terms of stretching out negotiations, severance pay and what not. We have had occasion to have companies before us in terms of severance pay and what not which have closed down and have gone out of business. They do not have the work, but they are trying. I do not think you tried; at least, I have not heard yet that you tried.

5:20 p.m.

Mr. Dempsey: We severed our relationship in Dunnville according to the terms of the union contract. Whether or not severance pay, et cetera, was an issue during the previous negotiations, and whether that unit was successful in bargaining it, I guess it was not because it is not in the contract.

Mr. Cureatz: Let me have one more shot at it, Mr. Martel, I am sorry. What if it was not in the contract?

Mr. Dempsey: Where is the union's responsibility?

Mr. Cureatz: The problem we are faced with is if that is the kind of attitude you are taking we are going to be put in a position of saying there is no corporate moral responsibility in such items. You did not go the extra little step of helping out a little bit. Henceforth, for those operations that are coming in from the States, we are just going to make it tough. We are going to say, "If you are not going a little bit, we are going to legislate for you to go a little bit."

Mr. Chairman: Are you suggesting guidelines for US controlled companies and Canadian companies?

Mr. Cureatz: No.

Mr. Chairman: I wanted the record clear on that. If you want to respond to what I assume was a supplementary to what I know is the last supplementary, please do. Then Mr. Martel is going to wrap it up because five other committee colleagues wish to participate.

Gentlemen, if you wish to respond to Mr. Cureatz, please do so.

Mr. Dempsey: The point I was making is that we abided by the Dunnville contract. We even asked the people in Dunnville if they wanted to work or would consider working in St. Thomas. One of our drawbacks is the fact that we have a different union representing St. Thomas.

I understand what this committee is all about.

Mr. Chairman: Thank God, somebody does.

Mr. Dempsey: I sympathize with you because I understand what you are going through. We are faced with the situation where, because of a downturn in the automotive business, we have layoffs in both facilities. We cannot bring in people from plant A that we are closing into plant B because of the union contract, because we are represented by two different groups. There is no way we can eliminate or alleviate our responsibility towards group A or group B. That, I think, is something the committee has got to look at.

Mr. Martel: Having listened to the last gentleman speak, I find it a little difficult to accept. The company paid out a \$15 million dividend in 1978 and \$4.5 million in 1979. I do not see much corporate responsibility. I think the excuses you give really to me are not acceptable.

Let me ask you the next question. Did you agree to set up a manpower adjustment committee and, if not, why not?

Mr. Dempsey: We discussed it and decided not to.

Mr. Martel: Why not?

Mr. Dempsey: Probably because of my inability to be in Canada as often as I like to be.

Mr. Martel: What you are telling me is it is just because you are so busy.

Mr. Dempsey: Let me mention my final contact with the gentleman I was doing business with. When I left him the message to send me the contract and I would sign it and we would go ahead, his response was, "I think it is too late."

Mr. Martel: Too late?

Mr. Dempsey: Yes.

Mr. Martel: For the workers it was too late when you shut the door. Let me be quite frank. What bothers me has been the difficulty to get you people to come to this committee. It has been the attitude displayed in the last few minutes that because someone could not come it was too late. To me there was no bloody effort made to assist those workers to find alternative employment.

The attitude displayed in response to some of the questioning my colleague put forward is as if you were dealing with the country bumpkins, we being the country bumpkins. The difficulty of getting you people here since November 7 does not show me a corporation that has much corporate responsibility in moral terms. I am sorry it is as blunt as that.

Mr. Dempsey: I am sorry you feel that way.

Mr. Martel: I am sorry that your actions and your words leave me no alternative.

Mr. G. I. Miller: You indicated you have \$1 million worth of material stored in the Dunnville plant at the present time.

Mr. J. Rowe: We have finished goods, yes.

Mr. G. I. Miller: Were they all produced in Canada or not?

Mr. J. Rowe: They were all produced at Dunnville.

Mr. G. I. Miller: And is there no market for them? Has there been any dialogue about moving the plant with the Ministry of Industry and Tourism? Have you had any discussions with them in Toronto with regard to the use of the plant or any alternative usage for the facility?

Mr. J. Rowe: Do you mean by someone else?

Mr. G. I. Miller: By yourself or by someone else.

Mr. J. Rowe: To my knowledge, we have got the building up for sale, if someone wants to purchase it and put a facility in there. I understand there have been people look at it.

Mr. Hamilton: We have, as you will have guessed from the

number we have discussed today, quite a number of plants for sale throughout the United States and Canada. We have been working through United Technologies corporate real estate department in Hartford. We have been in contact with major corporations on both sides of the border in an attempt to solicit interest in using this building for another purpose.

I cannot talk to the specific state of those discussions at this point, but I know there have been active contacts made with a number of corporations relative to this facility as well as a number of the other ones.

Mr. G. I. Miller: Have you been in touch with the town of Dunnville in regard to the possibility of selling or have you had any discussions?

Mr. Hamilton: I cannot honestly say. I would guess we have, but I am not sure.

Mr. G. I. Miller: Would you keep them informed about the possibilities?

Mr. Hamilton: Sure.

Mr. G. I. Miller: As the member for the area, I am quite concerned that if you cannot provide the jobs then maybe that facility should be made available if we could find alternative uses for it.

Mr. Hamilton: We would be glad to do that. If we have not already, I will be sure we do do that.

Mr. G. I. Miller: What do you see as the future in your US plants? Can you see any of them coming back?

Mr. Hamilton: I will be very frank with you. The graph that we showed you here stops at the end of the third quarter. We had a blip into the October-November time frame of increased demand, as we did. As you will see, there is a little blip in the fourth quarter of 1979. This is the automotive companies filling their pipeline with the new 1981 models. We have already seen very significant cutbacks in requirements for the December, January, February time period. I fear that we are actually going to fall to a level below that which you see here due to the high interest rates and so forth.

We cannot predict that but those are the trends that we are seeing unless something happens to the interest rates in the short term. We will probably be faced in the future with additional decisions like the one we have been discussing today.

Mr. O'Neil: Can I get in a supplementary here? What about the future of the St. Thomas plant?

Mr. J. Rowe: If someone had asked me a year ago what I thought of the future of the Dunnville plant, I would have said it looked good. I would say of the St. Thomas plant that one of the reasons why it was selected to stay and not go, and vice versa

between it and Dunnville, is the fact that this is one of our largest buildings and it has a unique product in it along with the normal type of wiring assembly that we do. So for that reason I would say that its probability of staying is much greater than many of our other plants.

5:30 p.m.

An. hon. member: What is that product?

Mr. J. Rowe: They make what we call the high tension wiring. That is the spark plug wiring. It is the only plant we have that makes that.

Mr. Kerrio: (Inaudible).

Mr. J. Rowe: You know, where you pull your spark plugs off; you know that little plug that is over that and the wire. There are six or eight of them, depending on the number of cylinders you have in a car. They are the only ones who make that for us. So that gives them a little security in that they are the only ones with that--it's all you need--tooling and so forth.

So talking manufacturing prices and so forth, that would be one reason why I would select that that would stay there, as well as the fact that it is a huge factory and we have the longest assembly line we have anywhere in the country in that plant. We were able to do that because of the size of that plant. Those are the important things I have been trying to say here today and why that was selected over the other plant.

Mr. G. I. Miller: Have you moved the assembly line to the St. Thomas plant from Dunnville?

Mr. J. Rowe: Some of them were extended. This particular line that we have there was portions of two or three lines they had, all put together to make this one big line.

Mr. G. I. Miller: Is some equipment still available at Dunnville?

Mr. J. Rowe: To my knowledge, most of the equipment is still on skids sitting at Dunnville, because we have that same thing all over the United States in factories; all on skids and all sitting there.

Mr. G. I. Miller: Could it be for sale to anybody who is interested in buying?

Mr. J. Rowe: Yes, it certainly could.

Mr. G. I. Miller: Has the Japanese market had an effect? There were some comments made that Japan was supplying the harness to the St. Thomas plant. Were you aware of that?

Mr. J. Rowe: That Japan was supplying? I saw somewhere in there about Japan. We have no wiring assembly facilities in Japan; and that is an incorrect statement, as many of the others

were that I read in there. We have nothing in Japan.

Mr. G. I. Miller: That is about the extent of my questions at this time.

Mr. Chairman: I will just remind the members we have 30 minutes left.

Mr. G. Taylor: One of the features we are looking toward--and it is a generic term--are "closing laws" in the different jurisdictions. We have been looking at them.

How much would the closing laws, say, in regard to pensions, severance pay and notice in Ontario, compared to the other jurisdictions, play in the decision-making of closing a plant, say, in Ontario, compared with the other jurisdictions that you had made that decision in? I heard you say you closed a number of plants in the US jurisdictions. What percentage does that play in your decision-making power?

Mr. J. Rowe: To open or to close a plant?

Mr. G. I. Miller: Open or close. Both ways, because, if we were to give the next question, it would be: Having made that as the decision for closing, it would also be another part of the decision to open another plant, say, in another jurisdiction.

Mr. J. Rowe: I would say, in years past, this was not a gamble-type business for us. It was always a steady, even business and we never were worried or thinking about closing plants. In most of the years I have worked for the company, the one thing that all the people always said, "Hey, maybe they don't do this or they don't do that, but it is a steady place to work." It has always been that way in our history. It has always been that way from the Depression on down.

The big thing that has happened in this last year: History is being made in the automotive business today. I think that people would seriously look both ways at any laws before opening or closing plants.

Mr. G. Taylor: Getting back to this particular decision and the other decisions you had to make: What did the present closing provisions play in arriving at your decision; such as, if there were a heavy severance pay requirement in a union contract or in law?

Mr. Dempsey: Let me answer that: We do not have severance pay in the United States in the majority of our plants. I cannot think of one in our division where we have severance pay.

Mr. G. Taylor: But you had to close them?

Mr. Dempsey: Yes.

Mr. G. Taylor: Making the same or similar product lines as the one in Dunnville?

Mr. J. Rowe: Yes, sir.

Mr. G. Taylor: That comes into the next question: Getting away from the legislation, did the union contracts have higher requirements for closing--such as severance pay--in the individual contracts, if there happened to be a union in those plants you closed?

Mr. Dempsey: No; they don't have any.

Mr. G. Taylor: My next question: In any of those that you did close--and you told me in some you had not those severance pay provisions and you don't have some of the legislation--what about notice and pension? Were they similar to Ontario's or less than Ontario's in generic terms.

Mr. Dempsey: Much less as far as notice is concerned.

Mr. G. Taylor: What about pension requirements?

Mr. Dempsey: Right now, today, all automotive product division plants, probably with the exception of one, have some sort of a pension plan in the United States. They are relatively new plants.

Mr. G. Taylor: What about the--let's call them--manpower adjustment plans? Would you have to get into any of that in any of these other plant closings?

Mr. Dempsey: Manpower adjustment--(inaudible) the imports from the Japanese or the overseas?

Mr. G. Taylor: No. Let's say you are closing. We call it in the generic term "manpower adjustment committees," where you are trying to place other workers.

Mr. Dempsey: Excuse me for interrupting. I know what you are talking about now.

Normally there is not a commission or a manpower situation like that, where the unions, the company and the government get together to try to create jobs. That is not common.

Mr. G. Taylor: Of all these other closings, similar to the Dunnville one, did you, in any way, exceed the provisions of the jurisdictional law or the union contract as the case may be?

Mr. Dempsey: No, other than in Dunnville where we extended the insurance for an extra month.

Mr. G. Taylor: In all the others, you complied with what you had to, with knowledge beforehand?

Mr. Dempsey: According to the contract; yes, sir.

Mr. G. Taylor: Getting back to Mr. Martel's question of the--and it was such a--

Mr. Martel: Could I have a supplementary before you change the subject? Mr. Taylor mentioned plant closing legislation which would give you cause to consider where you are going to put a plant, et cetera. Does not the auto pact affect you somewhat on where you are going to put plants and how much sales production?

Mr. Hamilton: I don't believe it affects us at all. It affects the automotive manufacturers themselves, not the parts.

Mr. G. Taylor: On the question Mr. Martel asked in a very broad way about your exporting and importing: Naturally you may come back with an answer, but my difficulty is going to be, can we really segregate all that information? Because, as the name implies here, you are before us as Essex International of Canada, and then you have the United Technologies (Essex International).

Now, when you will be coming back with this information, how will it be broken down? Our earlier statement on United Technologies had numerous companies underneath it and I suspect they are into all categories of production as well as automobile.

Will you and did you understand the question of Mr. Martel's; that you will be explaining just the product that is comparable to the St. Thomas and the Dunnville operation, or all your product lines?

Mr. Hamilton: My understanding, sir, was that the question was relating to automobile wire harnesses only. Is that the intent of the question?

Mr. G. Taylor: That is what I hoped was the intent of the question, because, otherwise, when your comparison comes back, you might be into numerous automobile parts that will--

Mr. Hamilton: Oh, we couldn't. You couldn't understand it, because we make many millions of dollars of jet engines in Canada and we export to the United States; so that would be totally irrelevant to this decision.

Mr. G. Taylor: Following that along, when you use your export-import part, will you be doing any breakdown of figures, say, for the general importation of automobile parts other than the harness? Was that part of your understanding of the question too?

Mr. J. Rowe: All we would be able to give you would be the automotive harnesses from our same group. In other words, we are going to give you apples and apples.

Mr. G. Taylor: Fine. Those are all the questions I have, Mr. Chairman.

5:40 p.m.

Mr. Cassidy: I have several questions.

I have not been coming to all the sessions, but I was here when the union was here and I was also in Dunnville in July,

shortly after the workers learned of the fact that what they thought was a short-term layoff was going to be an indefinite shutdown. Perhaps I can ask about that first.

In early June, the notice was given of a definite layoff, but repeatedly, when the workers, the plant chairman and Mr. Marshall of the UAW went to the plant superintendent of the company and said, "What's going to happen?" they were assured it was going to be a temporary situation; that they would be back to work after the holidays, some time soon. It was certainly indicated that this was not going to be permanent.

It was not until July 14 that some people from the company came along. Were any of you involved in that meeting with the union?

Interjection: No.

Mr. Cassidy: At any rate, people from the company came along and informed the workers that they would not be coming back to work. As a consequence, they only had two weeks' knowledge that they were going to be thrown out of work and would have to look for other jobs.

Do you consider that that two weeks is consonant with Ontario's legislation that, in your case, required eight weeks' notice of the fact they would not have their jobs to come back to, given the fact that the company consistently maintained that this was not going to be a permanent shutdown for the first six weeks after giving notice of a definite layoff?

Mr. J. Rowe: I read the statements here that said that people continually told them that everything was going to happen rosy. I think that was more wishful thinking on the part of the people at the plant and not a fact that we had told them in Detroit. We did not know that we were going to close down when we put that June notice up; that it was definitely going to shut down forever. I think we really did not have a feel for it at that time. That was the way we think we were supposed to deal.

Mr. Cassidy: Are the workers not entitled to a straight answer? If you do not know, are they not entitled to know that you do not know, rather than give them--

Mr. J. Rowe: Yes, I think they should have been told they do not know, because that was the answer we gave.

Mr. Cassidy: Since your representative, the plant superintendent, told the workers something else, is the company not prepared to go now to those workers and give them the six weeks of severance pay that they should have received because of inadequate--

Mr. Hamilton: I guess you'll have to answer that, Jim; I don't know.

Mr. J. Rowe: I don't know that it happened.

Mr. Cassidy: If you said you erred, if you say you misled the workers--and that is essentially what you said--

Mr. Hamilton: It was alleged that we did. I don't know that that's a fact.

Mr. J. Rowe: We don't have any first-hand knowledge of that.

Mr. Hamilton: This is the first we saw of that.

Mr. J. Rowe: We just read this here, just as we were sitting back here; that they had said this sort of thing. I don't know if--

Mr. Mackenzie: It was raised in the House, so it was wide knowledge. The question was raised in the House at the time and you wrote a letter to someone.

Mr. Cassidy: I wrote a letter and the union wrote a letter to communicate with-- You are responsible for industrial relations, I believe.

Mr. Dempsey: Who did you write to? I never received anything.

Mr. Cassidy: We communicated with the government, but the union was also communicating with the company.

Mr. Dempsey: Nobody has communicated with me.

Mr. Cassidy: In other words, you did not make it your business to know that the local situation was--

Mr. Dempsey: That isn't what you said. You said you wrote to somebody.

Mr. Cassidy: Okay. Did you make it your business to find out what the local situation was, to see whether, both morally and legally, Ontario--

Mr. Dempsey: Our attorneys who handled the closing told me it was legal.

Mr. Cassidy: So as responsibility for industrial relations do not extend to that, you left it to your attorneys--

Mr. Dempsey: I am sorry; I cannot hear you.

Mr. Cassidy: You left that to your attorneys; is that right?

Mr. Dempsey: Our attorneys at that juncture were handling all contract negotiations and plant closures.

Mr. Cassidy: Were those American attorneys or were they attorneys in Canada?

Mr. Dempsey: American attorneys.

Mr. Cassidy: What was the mandate to those American attorneys by the company? Was it, "Get us out of this as cheaply and quickly as possible"?

Mr. Dempsey: No, sir.

Mr. Cassidy: What was the mandate then?

Mr. Dempsey: We made a business decision to close the plant. They were to go there and inform the union and the committees of our decision.

Mr. Cassidy: Were those attorneys employees of the company or were they simply attorneys in private practice who were hired guns for the company?

Mr. Dempsey: Pardon?

Mr. Cassidy: Who were hired guns for the company.

Mr. Dempsey: No. They are employees of the company.

Mr. Cassidy: They are employees. So people from the company--I am going to ask the question again.

The parent company in the United States was not informed by attorneys working for the company of the fact that these workers had only two weeks of knowledge of the fact that they would not have their jobs back, and that up until that time, they had been assured they would be getting their jobs back. No recommendation was received from them that the workers should, in fact, get a full eight weeks or get pay in lieu of notice.

Mr. Dempsey: As I said, our attorneys assured us that they had complied with the laws.

Mr. Cassidy: You were aware of the request that there be a manpower adjustment committee. Is that correct?

Mr. Dempsey: Yes, I was.

Mr. Cassidy: How many employees are there in United Technologies if you take the group as a whole? It is about 200,000, is it not?

Mr. Dempsey: Correct.

Mr. Cassidy: Are you saying that out of those 200,000 people nobody could be spared by that large conglomerate in order to make a manpower adjustment committee work for those 175 laid off workers in Dunnville?

Mr. Dempsey: No, I do not think I said that.

Mr. Cassidy: You said you could not go. Did you not think of sending someone else?

Mr. Dempsey: I said it was my inability to be available in Canada at specific times, and I ended up saying, "Send me a contract and I will sign it." And the answer I got back, again, through an intermediary because I was somewhere else in the United States, was, "We think it is too late."

Mr. Cassidy: When was that final exchange? When did that take place?

Mr. Dempsey: August or September, I believe.

Mr. Cassidy: In other words, delays by the company were such that in the end the people from the Manpower department from the federal government here felt it would be too late. Is that correct?

Mr. Dempsey: Yes. But I do not believe that we even--Yes, that is correct.

Mr. Cassidy: Okay. Did you consider, in view of your own time commitments, sending somebody else who could act responsibly on behalf of the company?

Mr. Dempsey: I had sent people to Canada to try to assist people in getting jobs and to go through getting people transferred to St. Thomas.

Mr. Cassidy: But the workers seeking to transfer to St. Thomas were told that there was already a layoff list there and the company effectively would not help to set up a manpower adjustment committee because you acted so slowly.

Mr. Dempsey: I am sorry, I missed the last word you said.

Mr. Cassidy: Because you acted so slowly, you effectively would not assist in setting up a manpower adjustment committee.

Mr. Dempsey: You can conclude that.

Mr. Cassidy: Okay. You may not find this pleasant but those people down there do not find it pleasant either.

Mr. Dempsey: I understand, Mr. Cassidy. I understand.

Mr. Cassidy: The manufacturing costs in the plant in Dunnville, how did your manufacturing costs there compare with manufacturing costs in the United States?

Mr. Hamilton: Fairly comparable.

Mr. Cassidy: With the devaluation of the Canadian dollar, would the--

Mr. Hamilton: Fairly comparable in US dollar terms.

Mr. Cassidy: In US dollar terms.

Mr. Hamilton: Yes, sir.

Mr. Cassidy: I see. So you had a means of comparing that plant against plants in the United States?

Mr. J. Rowe: From a production standpoint you are talking about?

Mr. Cassidy: Yes.

Mr. J. Rowe: Yes.

Mr. Cassidy: The workers stressed here, and at other times that I have had exchanges with them, that they were always, in fact, praised for being--the phrase in here, I think, is "the most efficient wire harness plant in the Essex International chain." Is that correct?

Mr. Hamilton: I think we said they were efficient. I cannot say that they were the most efficient, but they were a good, well-operating plant.

Mr. Cassidy: I see.

Mr. Hamilton: We have already said that. We closed other good and efficient plants. We did not have too many inefficient plants in the whole system.

Mr. Cassidy: Where would they rank out of the 22 plants that you had producing wire harnesses? Where would they rank in terms of their manufacturing, cost efficiency--whatever words you want to use?

Mr. Hamilton: It would be hard to answer that. It is a function of product mix, as Mr. Rowe mentioned earlier.

Mr. Cassidy: So where would they rank?

Mr. J. Rowe: I would have to say they would at least be in the middle of the pack.

Mr. Cassidy: Are you prepared to table information about where they ranked?

Mr. J. Rowe: For example, in what respect?

Mr. Cassidy: I do not know how to measure it, but I would assume that there is some way by which that plant can be measured against the plant in St. Thomas and against plants in the United States. Is that not correct?

Mr. J. Rowe: Not in that manner. No.

Mr. Hamilton: Not by purely quantifiable means. As I mentioned, it is a function of the product mix. If a given product went into that plant, a certain level of efficiency would be considered acceptable. If another product went in, it might be a different one, higher or lower. But overall, it was a good plant.

5:50 p.m.

Mr. Cassidy: You will have to excuse me if I sound a bit perplexed, but profitability does not enter in, we are told. You are now saying that you did not have a means of comparing efficiency. If you don't have a means of comparing efficiency, it becomes almost impossible for, say, a local plant manager to get together with the union and the workers and say, look, if we give it the real college try, then we can expand our production, or get you some overtime, or we can bid in for this particular job.

Effectively, there is no way that those local people, whether it be management or work force, can influence the future about whether their plant will be maintained, whether it will be allowed to grow, or whether it will be cut back. Is that correct?

Mr. Hamilton: No. They can influence, but they do not make the decision.

Mr. Cassidy: They could influence it? Then how could the people in Dunnville have influenced the decision about whether or not to shut the plant when they were only informed about that decision two weeks before the plant was shut down?

Mr. J. Rowe: Were you here through the whole meeting, or did you come in late?

Mr. Cassidy: I missed your opening statement.

Mr. J. Rowe: That's all?

Mr. Cassidy: Most of it.

Mr. J. Rowe: Well, we mentioned before that at the Dunnville and St. Thomas facilities, we did not have much work at either plant. We have already closed 11 facilities in the United States, and at that point, and here again, every day and every week, new history was being made in the automotive industry, heading downhill, downhill, downhill.

We looked at it at that particular point in the Mark and Lincoln car lines which were the predominant products being produced at Dunnville. That car line was going right down the tube, so to speak. We just didn't have any work. We continued to build it, even to the tune of a \$1 million worth of finished goods that we have sitting there. We continued to produce, we looked at the Dunnville and St. Thomas--

Mr. Cassidy: I have heard all of this. I am just asking whether there was anything that people in this particular branch plant could do, and what I hear is no.

Mr. J. Rowe: No, they did normal work. Their work was satisfactory. We tried to emphasize that. We did not close the plant down because those people were any worse than anybody in the United States, or any better than anybody in the United States. But we are trying to tell you that we had too much in the way of facilities, and we were trying to combine our facilities into one

facility that would accept at both, which is what we have done. And we have almost the same total population we had in January when we had two factories.

Mr. Cassidy: What proportion of Essex International's production was in Canada prior to the shutdown? And what proportion of your overall dollar production is in Canada subsequent to the shutdown?

Mr. Hamilton: I cannot talk to dollars directly, but I can talk to employment. I have the employment figures in the United States and in Canada for the first quarter of 1979 which is when the thing started to really go down, compared to the third quarter of 1980. And the US employment was reduced 67 per cent, the Canadian employment was reduced 54 per cent.

Mr. Cassidy: Now that does not sound comparable to me. That means that your employment was cut by 33 per cent in the United States--

Mr. Hamilton: No, 67 per cent.

Mr. Cassidy: By 67 per cent. It was cut to one third of what it had previously been?

Mr. Hamilton: That is correct.

Mr. Cassidy: And it was cut to how much in Canada?

Mr. Hamilton: To 46 per cent.

Mr. Cassidy: I see. You treated the Canadian operation like a cash cow, I think is what you call it in the business, is it not? If you are in the financial business.

Mr. Hamilton: We treat all our plants the same, sir, regardless of where they are located.

Mr. Cassidy: They are all cash cows, is that right?

Mr. Hamilton: We hope they will be, yes.

Mr. Cassidy: You took \$21.5 million in dividends out of the company in three years. Can you explain the decision of the parent company to take such a substantial amount of dividends out in 1978 and in 1979?

Mr. Hamilton: I have already answered that question, sir, but I will answer it again. The dividend remittance in the years 1978 and 1979 was the cumulative effect of many years of operations, and also some acquisitions that date back as early as 1960, that resulted in the company having large surplus retained earnings that were cumulatively earned over many, many years in Canada and for which we had no ostensible investment purpose.

In other words, the company in Canada could not justify investing those funds in further growth. We did not have the business to support it, so the money was put back into the

corporation and invested in other businesses.

Mr. O'Neil: Was it invested or paid out?

Mr. Hamilton: I am sure some of it was paid out, ultimately, in dividends.

Mr. Cassidy: Do you not think it was rather--

Mr. Hamilton: Pardon?

Mr. G. Taylor: Were they tax-paid, retained dividends?

Mr. Trachsel: Yes.

Mr. Cassidy: Does it not seem a bit inequitable that in 1978, when the \$15 million was sent out, that at the Essex International plant in Dunnville the company was going through a two- or three-month strike, at the end the additional amount yielded by the company, 20 cents an hour, was effectively equal to about \$300,000 in annual costs in a year in which you were able to send \$15 million to the United States?

Mr. Hamilton: It has no relevance, absolutely no relevance at all.

Mr. Cassidy: No relevance at all?

Mr. Hamilton: No.

Mr. Cassidy: As I say, do you not think it is somewhat inequitable that on the one hand the workers have got to wait for three months and go without income in order to get a raise equal to \$300,000 per annum, and on the other hand the company can take that much out in dividends?

Mr. Hamilton: As I say, it has no relevance. The dividends relate to performance over a long period of time, as well as investments that were made many years earlier.

Mr. Cassidy: When the company shut down, I notice that the head office of United Technologies, I think you said, in Hartford, busied itself looking for a buyer for the plant and for the operation. Is that correct?

Mr. Hamilton: That is correct.

Mr. Cassidy: That is sort of like a company adjustment committee in order to ensure that the company comes out of Dunnville as well as possible without having to incur continuing expenses from the building.

Mr. Hamilton: That is part of the answer, yes, sir; that is correct. I think you have a little bit of a funny attitude, if I can make a comment here.

Mr. Cassidy: I have met these people so I do have a funny attitude.

Mr. Hamilton: Wait a minute, let me finish.

Mr. Cassidy: So have they, they are mad.

Mr. Hamilton: The implication is that it is a company versus employee situation, which is totally untrue. In a reference to the assets of this company, the 200,000 people who are employed by United Technologies are its primary assets. One of our main objectives as a management group is to provide a continuing stable work force. That is how the company does better, that is how the employees do better. We both make out if we can keep a steady work force to keep the business going. The company makes profits and the employees grow as individuals, and they grow in terms of economic rewards to themselves.

Mr. Cassidy: What?

Mr. Hamilton: Now we have reacted to--

Mr. Cassidy: They are earning \$8,000 a year, right?

Mr. Hamilton: Yes. The point is if the company maintains stable employment it is good for the company and it is good for the people, do you agree with that?

Mr. Cassidy: Yes.

Mr. Hamilton: That is our objective. Our objective is not able to be achieved due to a business situation in which we find ourselves, so we have reacted to that business situation. I think you are putting in a lot of implications that are not relevant and not true in the questions you are asking.

Mr. Mackenzie: If I can have a supplementary, if my colleague will permit. These employees went on strike prior to that. They ended up in the new contract, in the early opening, at \$4.09 an hour in this plant. They got nine instead of the seven holidays that you have to give them in any event. There was no SUB plan--we talk about negotiating--no pension plan and no severance plan, even though they went on strike earlier to get them, and \$4.09 an hour.

Is that really participating in what you are talking about? I sure as hell do not see that as very much employee participation or support or protection--no SUB, no pension, no severance and \$4.09 in the last contract; and they went out on strike to try and get some of these benefits.

A funny attitude? You sure as hell give us one.

Mr. Dempsey: The wages that you quote are today similar in our like plants in the United States or a bit higher in Canada.

Mr. Mackenzie: I would not be very proud of it.

Mr. Cassidy: I would just like to ask a final question. You closed a dozen plants in the United States. Did any of those plants have severance pay for the workers?

Mr. Dempsey: No.

Mr. Cassidy: Did the company pay severance pay to any of those workers on a voluntary basis?

Mr. Dempsey: No, not to my knowledge.

Mr. Cassidy: Is it the policy of the company to resist with everything you have got any efforts by its unions to negotiate severance in new contracts?

6 p.m.

Mr. Dempsey: No; we have, in other portions of the corporation, severance adjustments or sections, or whatever you call it; those conditions are included in contracts in other portions of the corporation.

Mr. Cassidy: Is it your policy to pay severance pay to managers who are laid off by the company?

Mr. Dempsey: Laid off from where, sir?

Mr. Cassidy: If a manager is dismissed or fired or the job is terminated, is it the policy of the company to pay severance pay to the manager?

Mr. Dempsey: No, if we dismiss the manager we don't pay him any severance pay.

Mr. Chairman: Mr. O'Neil and Mr. Mackenzie.

Mr. O'Neil: A very short one and I find it a little hard to understand too, with this particular plant--how many years were you in Dunnville?

Mr. Hamilton: We bought the International Wire and Cable Company, which became our Dunnville plant, in 1960.

Mr. O'Neil: I find it very hard to understand why you did not have a pension plan there for the workers. You know, you have been there that many years and you have these many people working for you. Is this a common occurrence in the American plants, that these people don't have--

Mr. Dempsey: It had been, prior to UT taking over in 1974.

Mr. O'Neil: So you are saying that in 1974, many of these plants--

Mr. Dempsey: Were without pension or severance or any other--

Mr. O'Neil: Do all of these plants in the United States have the same union, or do they have different unions?

Mr. Dempsey: No, many different unions.

Mr. O'Neil: Is it a problem because they don't have the same union, sort of working together to get these things, that they are sort of divided? Well, maybe that is not a fair question to ask you, that question should have been asked to the union; but you mentioned that it is a problem between the Dunnville plant and your other plant in Canada.

Mr. J. Rowe: There are some nonunion plants as well.

Mr. O'Neil: How many of those plants would be nonunion, of the ones in the United States?

Mr. J. Rowe: About eight of them.

Mr. O'Neil: Again, I think one of the things that we are looking at is, when American companies come over here and set up plants in this country, that we would end up with a situation where we have plants that do not have a pension plan. I just do not feel that that is fair or good for the workers at all. As a company, I think I would worry a little bit about that, that I am not looking after my employees a little better than that.

Mr. Dempsey: I agree with you. One of our goals is to establish pension plans throughout our division; but as I say, UT only took over in 1974. Most of these plants were under contract and we have only recently, and very recently, taken over direct control of negotiations ourselves.

Mr. O'Neil: One more question, Mr. Chairman, and I will be finished; and that is, in your response to Mr. Cassidy's questioning of you, is what you are trying to imply or trying to say that if you had not closed out the plants you did you might have had to close out more plants later?

If you had not taken certain steps the company could have been put in a position of going under, or having had to close more plants later, that is what I am asking.

Mr. J. Rowe: We still may have to close more plants.

Mr. Hamilton: We have, continually, to adjust our capacity to the demand.

Mr. J. Rowe: We have no feel right now--which we have always had, a real good feel of the auto industry. I think everybody is quite concerned today, I am talking of the auto makers themselves, let alone the suppliers. We bid, as I said, each year, and we just don't get all Ford business or all Chrysler business or whatever. We go out and bid, and some we get and some we don't. Depending on our competitive capability, it allows us to get it or lose business.

Mr. O'Neil: Thank you, Mr. Chairman.

Mr. Chairman: Mr. Mackenzie?

Mr. Mackenzie: I have no more questions Mr. Chairman. I just think it is one of the worst cases of corporate

irresponsibility we have had in the committee.

Mr. Chairman: It is now past six o'clock. Again, on behalf of the committee, gentlemen, I thank you for your time in responding to questions this afternoon. We will, in all likelihood, have an interim report available within the next day or so, and we will endeavour to see that you are provided with a copy of it.

We will be continuing with our hearings in January and February, at which time a final report will be available, about the middle of February, and we will be happy to share the results of that with you too. Again, thanks for your time.

We meet back here at eight o'clock for the consideration of the report. The meeting is adjourned.

The committee recessed at 6:05 p.m.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

TUESDAY, DECEMBER 9, 1980

The committee resumed at 8:03 p.m. in room 151.

INTERIM REPORT

Mr. Chairman: I will call the meeting to order. The other morning, as part of the presentation by the United Auto Workers re the Bendix closing, there was a videotape. Some members missed that. At 9:30 a.m. tomorrow the tape will be shown in the members' reading room upstairs just off the library for those who did not have a chance to see it earlier. As you know, tomorrow we begin at 10 a.m. as normal.

Tonight, as agreed upon some time ago, the agenda makes it clear we are going to address our attention to the interim report.

There had been some discussion about whether this meeting should be in camera. I think there is a general feeling there is no reason to alter, but frankly part of the reason for that suggestion was that it enables staff to feel more readily able to participate in the discussion. The last time we looked at the rough outline of the report I said I felt it is in our best interests as committee members if staff does indeed jump into the conversation. In as much as the report in its rough outline was prepared by them, like all reports, it may not be inappropriate to ask staff to lead off.

Mr. Jennings, if you are in a position to lead off with some opening comments with regard to the report, we will be happy to hear from you.

Mr. O'Neil: Do you have a copy for Mr. Kerrio?

Mr. Kerrio: I am taking Mr. Miller's place as he has gone to chop the Tories off at the pass at Cayuga.

Mr. Chairman: Just before Mr. Jennings starts, clearly everybody would like to make as much progress as we can in the time available to us tonight. There is a host of different ways of approaching this, page by page being one, but I find that one awfully tedious, as everybody must. Rick, would you like to speak to it?

Mr. Jennings: Basically what we have here is in a sense what I would call a maximum report. In other words, it tries to contain as much as possible. If there is something we want cut out or some changes in the body of it, then presumably that will come up tonight, but I think one of the main things, unless there is serious immediate change you want done, is to get down to what we are going to do as far as recommendations are concerned. That

part of it is contained near the back; there is a section on areas of concern, areas in which we may feel, or it may be felt by the committee that recommendations should be made, the main areas covered, the kind of areas where it looks like there is a need for recommendations to be made.

Mr. O'Neil: Are you talking about that page entitled "The Way Ahead"?

Mr. Jennings: After that; I believe it is after that.

Mr. Eichmanis: "Areas of Concern."

Mr. Jennings: "Areas of Concern." Any other part of the report we can address as well, but I think it is important because of the time frame that we have. If the report is to be debated on Thursday night, I think the logistics of it are that it has to be at the printer by noon Wednesday, I believe, which is the latest it can go to the printer and be available to be debated Thursday night. So just indicating that, I would suggest the important area to cover is what we want it to contain as far as recommendations are concerned.

Mr. G. Taylor: Could we back up, Mr. Chairman? Before we get into recommendations I have two comments. Again, there has been some difficulty. First of all, we had a draft of this earlier and then we received this draft this afternoon. I have had what is referred to as a supper-hour break to go over it.

I have a couple of comments before we get into some of the other items, and my first comment would be on page two. In the second paragraph I see the words "the first phase." One would say, where is the second phase? Or do you use that comparison, the first and second phase?

8:10 p.m.

Mr. Eichmanis: It refers to the second phase as being the period after Christmas.

Mr. G. Taylor: Okay. Because I could not find the second phase after having used the words "first phase."

Mr. Eichmanis: It is within the body of the report. It means the second phase is in the body of the report.

Mr. Jennings: The second phase is actually the case studies. The committee resolves to complete the first two phases of its work before prorogation. I guess the second phase is not actually stated, but that is what it is.

Mr. Chairman: Just an oversight, but Outboard Marine has been left off.

Mr. G. Taylor: To finish off with page two, the last paragraph: "In two instances the committee decided it was necessary to request that Mr. Speaker issue his warrants for

documents containing financial information on particular firms." I only recall that the one was necessary. The second one was issued, but it was issued with what is called in legal terms a bench warrant with discretion, because there were ongoing negotiations, as I recall. We finally received the parties, but didn't apply the Speaker's warrant.

Mr. Chairman: You do mean SKF?

Mr. G. Taylor: I don't know which one.

Mr. Chairman: It refers to Armstrong and Essex.

Mr. G. Taylor: Those are the two you are referring to, and the third one then is--

Mr. Chairman: Is in that other category.

Mr. O'Neil: Are we going to do it page by page, or how are we going to do it so we get something done?

Mr. Mancini: I think we should do it page by page.

Mr. G. Taylor: We are going right to the latter part. I think that was--

Mr. Chairman: Mr. Taylor has some comments.

Mr. G. Taylor: Having jumped over the first part, I would like to make some comments on the first part before we get to the recommendations.

Mr. Chairman: We can do it page by page.

Mr. O'Neil: Why don't we? Some pages may not have to be touched on at all.

Mr. Jennings: I just want to indicate that we have a time constraint so that is known at the start.

Mr. O'Neil: I think we can get over a lot of pages if we go page by page.

Mr. Chairman: Page by page is obviously one of the alternatives. I think what Mr. Jennings is saying is that the portion at the back, headed "Areas of Concern," is an important place to start--all of the substantive topics are there--rather than the chronological order of who and where. We could spend time, no question, on the first 25 pages. I think while we are relatively fresh with the "Areas of Concern" portion of it, if we would just agree to start there, then we can go back to page one, but at least we will have spent the necessary time on this. If we had to skip--

Mr. O'Neil: Let's go. Let's get going then.

Mr. Chairman: Let's do that. I think Mr. Jennings' suggestion is best.

Mr. G. Taylor: I was only going to add one more comment. On each item here there has been reason for shutdown, and I guess it is a concise approach, having put a modifier on there, because there was actually more than one reason. Some of the many reasons are contained in the body of the paragraph, saying "The Shutdown," but we seem to have summarized it; I assume that is the staff's summary of what would be the precise or more likely the concise reason, but I just wonder whether we should get into that. It was not always measured as the precise, imperative reason why they closed down, but it was a host of reasons, without trying to pick the reason for the shutdown.

Mr. Mackenzie: I don't understand, Mr. Chairman, where we are at. I thought we had reached agreement we would start with the "Areas of Concern," because I agree with the chairman, they are the substantive parts.

Mr. Chairman: I think it would be best. I can see some questions that I have in the area Mr. Taylor is referring to now, but we can get to them later.

Mr. Cureatz: I am still on the list, Mr. Chairman. Are you denying anyone on the committee the opportunity to speak?

Mr. Chairman: That is right. The only reason I got out of bed today was to deny somebody his fundamental democratic rights.

Mr. Cureatz: I knew it. Especially someone on the same side of the House as you are.

Actually, I am very sympathetic with your suggestion, Mr. Chairman, and I would suggest that is probably the way to proceed. However, my concern--I will be honest with you--is that I have not had the opportunity to review all the case studies. I have been concentrating on the recommendations, solutions, et cetera. I am finding it difficult enough to wade my way through that and put a perspective on it, but the problem is, if by chance we do not get back to those 25 pages, I do not know, as Mr. Taylor has pointed out, the full extent of coverage, whether it is the way I would be satisfied to accept at this time. How are we going to accommodate that?

Second, in terms of accommodation, if we are jumping way to the back, I have my original concern, which was page one, and I have an amendment, through the help of our clerk, which I would ask at this time be distributed for committee members to take under consideration. When do we discuss that?

Mr. Chairman: Mr. Cureatz, I do not know how much I can help on that. It is our goal to discuss the whole of the report. I do not think that we should start off, and if I gave that impression I take it back, that there may be some parts of it that we will miss. But, God forbid, if we had to miss something, it cannot be the portion of the report that speaks to recommendations. That is what our colleagues in the assembly are most interested in. They will undoubtedly peruse who our

witnesses were and why they are faced with closure, but I think it is the section at the back that will be of most interest to our colleagues in the assembly and to those people who will be witnesses before us come the new year.

Mr. Cureatz: A sort of up-front suggestion is, let's take a shot ~~for the~~ next two hours as to how we proceed with recommendations and try to leave 20 minutes to go through, in a reading process, the first part. What about my page one; can we discuss that at some future time?

Mr. Chairman: I think we could leave that to the end.

Mr. G. Taylor: Mr. Chairman, I bring to your attention, too, that it was my understanding we were preparing an interim report. The preparation of the interim report was primarily to inform the people of the direction that we were going, as I heard the words used and repeated again yesterday by Mr. Renwick when I had raised my concerns about coming to conclusions on recommendations. We are now going to discuss "Areas of Concern." That part, I think, is something the committee has dealt with and is one of the requirements of its direction.

Similarly, "The Way Ahead" on the same document: I am not so sure we are yet ready on the material we have arrived at to come to conclusions and recommendations. This is the one I am having the greatest difficulty with, even for the material we have taken and for our colleagues in the Legislature. I was under the impression that when we were putting together the interim report it would be more under the category of the direction we are going and "The Way Ahead." However, with the modifier that is contained in the report now, "Possible Conclusions and Recommendations," I may be assuaged to allow part of this without too much argument and discussion this evening; but some of it contained matter of fact conclusions and recommendations that I am not yet ready, on the basis of the material before us, to endorse as a conclusion and as a firm recommendation. So I put that to you at this point, Mr. Chairman, and to my colleagues on the committee.

Mr. Chairman: I understand. It is a good point.

Mr. Chairman: Mr. Martel, did you have a comment?

Mr. Martel: I pass.

Mr. Chairman: Can I turn it over to Mr. Jennings then?

Mr. G. Taylor: Oh, yes. You are the chairman.

Mr. Jennings: The section, "Possible Conclusions and Recommendations," is basically for discussion by the committee. I have not decided on the conclusions or recommendations. "Areas of Concern" are discussed, areas and topics on which we could make recommendations; then these are just examples of some of the recommendations we could make, trying to cover each of the areas of concern that have been raised. At that point then the

committee would discuss those areas on which they felt we should make recommendations, based on the evidence we have now and how we think things are going. It would then be decided whether the possible recommendations that have been outlined here are appropriate, whether they are to be altered or whether they are to be included at all.

8:20 p.m.

That is what I had in mind in discussing this particular section of the report. We could, of course, also discuss to what extent we want to make recommendations at this time and again how broad we want to make them. This is to give an outline of what recommendations we could make, in what areas we could make them, and how specific we want to make them or how broad the recommendations we want to make should be.

Mr. Cureatz: Speaking to that, and maybe it is more a point of clarification or being antagonistic, I am having problems with recommendations. We have learned a lot of over the past few weeks in studying the various aspects of plant closures. It has always been my understanding that we were continuing in January and February to have further hearings, and at that time we would make it a package deal. Are you sort of speaking to that, Mr. Taylor, more in terms of information and looking at possible areas of conclusion? I am agreeable to that, I suppose; but I do not want to talk about--

Mr. O'Neil: Maybe it is the wording of those headings.

Mr. Cureatz: I guess that is where I am having trouble; I become a little confused as to--

Mr. O'Neil: If they could be worded a little differently, so it appears that they are possible conclusions and recommendations to date.

Mr. Mancini: I think the headline can clear it up; just say "Areas of concern."

Mr. O'Neil: I think we are looking at the possible conclusions.

Mr. Cureatz: That is what I would like to see, then, just "Areas of Concern."

Are we looking at the same page? Right.

I am looking at "Possible Conclusions and Recommendations," and I am saying I would feel more comfortable with "Areas of concern." I am definitely concerned about those areas, but I feel we will be sitting in January and February to have another whack at what is going to be revealed as information and testimony to us to see how it fits in.

Mr. O'Neil: Mr. Chairman, why don't we get started at the pages and then we can change them in whatever way we wish as we go along?

Mr. Cureatz: I would like to change it now, because I know the way of the world. It is going to be 10:29 and we are going to be exhausted, at which point everyone will say, "Let's not worry about it," then suddenly it comes up before the House and there we are.

Mr. Chairman: Sam, I know your point. I am wondering--

Mr. Cureatz: "Areas of concern."

Mr. Chairman: Yes. I am wondering how you wish to retitle that.

Mr. Cureatz: Again, let's delete "Possible Conclusions and Recommendations."

Mr. O'Neil: We have a little bit of duplication here.

Mr. Eichmanis: Perhaps I could raise something on that. It seems to me that in the "Areas of Concern" some of the things listed there are repeated as conclusions or recommendations further on. So there is a duplication there between--

Mr. Jennings: There is an attempt to give the areas of concern outlined and listed; then, if we want to make recommendations or conclusions in that area, these are just possible ways we could go and we could also possibly not make any. This is just a basis of discussion.

Mr. Cureatz: Quite frankly, I am having difficulty with this, and I am turning to other committee members to give me some assistance. It is my understanding of the committee that we were not looking specifically at recommendations at this point in time. I am ready to accept that we should be looking at the broad areas of concern to highlight some of the areas we found today. I always thought it was out anticipation to spend that last fifth week in the final drafting of those conclusions and recommendations.

Mr. O'Neil: If we start at that point, do you not think we can change it as we go along? If we start at that particular area, can't we change it? That is not going to come at the end of the night; that is, that we are going to do it within the next hour.

Mr. Cureatz: So you want to postpone the discussion.

Mr. O'Neil: We can get started and do it as we go along; we can get it done.

Mr. O'Neil: Where are you starting off then, Rick?

Mr. Jennings: I guess the "Areas of Concern" part. Do you want me to read it as it goes along?

Basically, this has been divided into the broader areas of the employee adjustment issue and then the plant shutdowns issue, sort of the broader economic areas involved in plant shutdowns.

"Employee adjustment--termination notice provisions: Is the length of notice period adequate? Should employers be required to give notice where an employee is put on a temporary layoff of up to 13 weeks?"

Mr. O'Neil: Why did we use 13 weeks in that case?

Mr. Jennings: That is the present provision. A temporary layoff is considered 13 weeks. In those circumstances, the notice provisions do not apply.

To continue: "Should mass notice provisions be given in the case of layoffs of less than 50 employees?" This is just covering areas currently covered by the notice provisions.

"Severance pay: No legislated requirement in Ontario--covered in some union contracts. Should it be considered as compensation for job loss or as a support payment?"

"If legislated, should there be a requirement that firms set aside funds or should severance pay claims be put ahead of those of secured creditors in determining the distribution of assets upon bankruptcy?"

"How high would the cost be to firms, particularly small firms, and would legislated severance pay tend to discourage future investment, and to what extent do present programs such as unemployment insurance--"

Mr. Martel: Did you jump to severance?

Mr. Chairman: Yes, but he did it consecutively.

Mr. Jennings: Yes, I have been reading through.

Mr. Martel: Yes, I understand that. You are not going to discuss them; you are just going to read them through?

Mr. Jennings: Well, at any point, if anybody wants to discuss it--

Mr. Martel: Going back through some of your notes I read over last night, some of your notes indicated the possibility of the reduction of notice of termination. I kind of question why that was thrown in. I believe that is there.

Mr. Jennings: Can you remember where that is?

Mr. Martel: Yes. Let me get my marbles together here. I'll see if I can find it.

Mr. Chairman: Elie, let's proceed this way.

Mr. Mackenzie: Why don't we go back to the first paragraph, do it again and ask for any comments on it at that point in time? We are not going to have a lot of time to get through everything that is here.

Mr. Chairman: Do you mean at the conclusion of the "Termination Notice Provisions" section?

Mr. Mackenzie: Yes.

Mr. Chairman: All right; does everybody understand that? We will go through each of the points under each of the headings.

Mr. Cureatz: Mr. Chairman, I would to make it clear for Mr. Sargent so that we all know where we are going.

Mr. Chairman: Oh, I think Mr. Sargent knows the reason we are going through it.

At the conclusion of the section headed "Termination Notice Provisions," the three points Mr. Jennings has just gone over, are there any questions or comments on that first section?

Mr. Mackenzie: On the third point: you are talking about a permanent layoff, I take it, where you say: "Should mass notice provisions be given in the case of layoffs of less than 50 employees?"

Mr. Jennings: That would be, in other words, in the present case where they are required for 50 or more, should there be some reduction to that.

Mr. Mackenzie: Okay, that is all I wanted; I understand.

Mr. Chairman: We are on severance pay now. We are in the last part of the third point. We changed "programs such as" to read "unemployment insurance"--

Mr. Jennings: "...and termination notice provisions serve the role which severance pay is expected to play?"

Mr. Chairman: Any comments on the words here--not on the issue, on the wording of severance pay?

Mr. Martel: It is my understanding there is a difference of opinion on severance pay and termination notice, and termination pay in lieu of notice. They are not the same or they are the same?

Mr. Jennings: They are not, and that is not implied here. Severance pay is anything in addition to pay in lieu of notice. Pay in lieu of notice is not the same thing as severance pay. Any severance pay that was required would be something in addition to any pay in lieu of notice that is at present required under the provisions.

Mr. Martel: The question then remains: When we mention severance pay here, do we have to distinguish between the two? And are we talking about stacking one on top of the other or are we talking about just one?

8:30 p.m.

Mr. Jennings: We could clarify it at this point. There is discussion of severance pay and notice earlier on in the report. We could clarify it again at this point if it is felt necessary.

Mr. Martel: Are we, as a committee--is everyone here looking at the same parameters?

Mr. Mancini: How are you looking at it?

Mr. Martel: In my opinion there are two, but there is a difference. I must confess my ignorance. It is only in the last couple of weeks that I became really--

Mr. Turner: Gee, I am shocked to hear that.

Mr. Martel: Well, John, you learn something new every day.

Termination pay is one item and severance pay is another. Some people think they are the same.

Mr. Chairman: They are separated here.

Mr. Turner: Instead of calling it termination pay--

Mr. Martel: It is already termination pay.

Mr. Turner: Yes. But if it is payment in lieu of notice, I think you can separate it very clearly.

Mr. Chairman: Mr. O'Neil wants to speak to this, but can I make a suggestion? I think I know what Elie is getting at. I asked Rick if it would make sense that in this part of the report, by way of footnote or however, some care be taken to make the differences clear. At this stage, I think footnotes would be a useful way of doing it.

Mr. Mackenzie: You have the heading "Severance Pay" to begin with; we can clarify it with a footnote if you want.

Mr. Chairman: I think that would help.

Mr. Martel: I thought we were saying basically that, if you did not get a notice, you would get severance pay. But in fact you get termination pay and the possibility of severance pay at the end in lieu of the fact that they did not meet the requirements of the termination notice; you could get six weeks' termination pay and then severance kicks in after that.

Mr. Turner: With all respect, Elie, termination pay should be in the "Termination Notice Provisions" at the first, and should not be confused with severance pay.

Mr. Martel: The question I am trying to raise is--and this is one of the things we have to highlight--are we talking about stacking the two?

Mr. Turner: They are two separate and distinct things. They are not to be stacked, with all respect. You are talking about notice.

Mr. Martel: With the greatest of respect, Mr. Chairman--

Mr. Chairman: I do not have any conflict.

Mr. Martel: My understanding is you can get one and you can get the other, and they can be stacked. One can be termination pay, if the appropriate amount of time has not been given; and at the same time you can get severance pay, because it starts as of the day you leave. So you could be talking about both. I am not sure the committee is clear on that possibility.

Mr. Turner: Termination of pay is in lieu of notice.

Mr. Martel: I accept that, but in fact--

Mr. Turner: It is something you get in place of something else. It has nothing to do with the other.

Mr. Martel: Why don't you put a plus on that as well--

Mr. Cureatz: Severance pay is then added on to the--

Mr. Martel: I just wanted to be sure everyone is clear on that.

Mr. Chairman: Mr. Jennings thinks he can make that very clear by way of a footnote.

Mr. Cureatz: I think what Elie is saying is different from what you are suggesting. You are just suggesting interpretation of the term. Elie is more substantive in terms of asking, where is the breakdown? Is it a plus?

Mr. Jennings: I could add another point that would cover the issue of whether they should be stacked or considered separately.

Mr. Martel: That is what I am saying. The area that concerns employee adjustment is one of the areas we are going to have to look at. I know where I stand on the issue.

Mr. O'Neil: How are you wording that then? Should they be stacked or should they be separate?

Mr. Jennings: Should they be considered together or separately?

Mr. Turner: Isn't it fair to say that one is covered now by existing legislation?

Mr. Jennings: Yes.

Mr. Turner: Then quite clearly it is there already. What we are talking about is something completely new and different that is not covered by legislation. Okay? I do not see why we are talking about plus and minus and adding on and so on.

Mr. G. Taylor: But Elie is right as to whether we are considering them stacked. Albeit we know one is already there by legislation or notice in lieu of, on severance you are calling for stacking; now Elie wants to know whether we are going to consider them separately or can we consider them stacked. In our discussion under the heading of "Severance Pay," can that be something more?

Mr. Mackenzie: He has the point.

Mr. Chairman: Thanks very much. If there are no other comments under the subheading of "Severance Pay," we will go on to "Pensions."

Mr. Jennings: "Pensions: An unfunded liability or an actuarial shortfall at the time of the plant closing may result in the loss of contributions of unvested members of the plan and some loss of benefits for vested members; this is particularly a problem for flat benefit plans."

Mr. Martel: May I ask a question? We are going to include, in the major body of the report, the material that was prepared on the variety of pensions, because people reading this--

Mr. Jennings: At this moment it is included.

Mr. Martel: I am just clarifying that.

Mr. Chairman: That is certainly an option available to us. I know some members of the committee--actually Jim Renwick, who unfortunately is not here; he did not know that this was the appropriate way to get into the details of that. But as an addendum to the report at least, I think the work Rick has done could be a part of it.

Mr. Martel: Without that, people are not going to understand what we are talking about.

Mr. Chairman: Agreed.

Mr. G. Taylor: Mr. Chairman, I hate to go back; Mr. Cureatz mentioned you are going very quickly and I know we have to.

Mr. Martel: I do not know that; why do we have to go so quickly?

Mr. G. Taylor: I do not know why either. I did not quite complete my comments on severance pay. Mr. Jennings has included two concepts in one line, and that is the second little dash:

"If legislated, should there be a requirement that firms set aside funds or should severance pay claims be put ahead of those of secured creditors in determining the distribution of assets upon bankruptcy?"

In setting aside funds, that could be legislated provincially and dealt with. The bankruptcy provisions are definitely federal in aspect, and although one may say it is splitting hairs, my own opinion is workers' wages should be ahead of all other creditors, secured or otherwise. But I think it should have a separate heading so we could be discussing set-aside guaranteed funds as well as going at the federal area, so that we have two columns of attack.

Mr. Jennings: I think perhaps the way of covering the issue there is not so much saying we can legislate both areas as indicating which area is the better way to go, whether it is better to set aside funds similar to the way pension funds are dealt with or whether we do it by securing against assets.

Mr. G. Taylor: A semicolon may do the trick.

Mr. Chairman: Yes, actually it would.

Mr. Martel: Could I ask one other question? Are there any lawyers on the staff?

Mr. Chairman: No.

Mr. Cureatz: Your colleague is one.

Mr. Martel: My colleague the lawyer is speaking upstairs. I am sorry, but we cannot afford to have any errors in this material.

Mr. Mancini: We have George, QC.

Mr. Martel: We would look pretty silly if we are tampering in some other jurisdiction with a recommendation. My colleague and my researcher tell me that we might be having a problem backing severance pay. I do not know, Mr. Chairman, and with the greatest of respect, I do not want us to table a report that might be saying, "We as a province have to look at this," if in fact we are going to have to say, "We have to flag this and ask the feds to review it."

Mr. Chairman: There is no question about the validity of your concern. It was the subject under discussion for each of the first three weeks. Mr. Mancini first off made the recommendation that we have counsel. The answer is that we do not have counsel. Your point is still a valid point. We may have an opportunity to run this past some legislative counsel in the building before it is printed. I think that is at least one option open to us.

Mr. Cureatz: I am surprised that Mr. Martel is worried that there may be a conflict in jurisdictions. In the select committee on Ontario Hydro affairs, Eldorado Nuclear was in the federal jurisdiction and we made all kinds of recommendations there.

Mr. Martel: As long as we say in the report that we are directing this to the attention of the federal authorities.

Mr. Cureatz: I see. You are not worried about what we are saying.

Mr. Martel: No, I am not talking about the recommendations we make. But if it is the federal jurisdiction, we have to flag that in the body of the report. The item I draw to your attention, and again I may be dead wrong, is in the severance pay section which Mike says is something that deals with, or in fact tampers with, federal jurisdiction.

Mr. Chairman: I do not minimize any of this, but could we agree that maybe Rick Jennings could run this past legislative counsel?

Mr. Breough: I recognize I am not on the committee, but just for a point of information for members of the committee: You have a section in here under "Severance Pay" that really causes severe problems. The Bankruptcy Act is federal legislation and not provincial; so you can make a comment to point out to the federal government that you would like to do something, but you should not be under the illusion that this province can do anything.

Secondly, if I read this notation correctly, you are suggesting that severance pay claims can go on the top of the bankruptcy list. That properly means someone who is losing his job and has a legal right for severance pay can sit around for 18 months until the bankruptcy claim is honoured. I do not see how that is exactly the quickest route to go.

8:40 p.m.

Mr. Chairman: That is not a trap we would want to fall into. I am in the hands of the committee as to how we can satisfy this legitimate question without counsel. It is too late for us to get counsel. What recommendation have you got?

Mr. Eichmanis: It seems to be that this section deals with areas of concern. It is not a recommendation. It is simply pointing out the committee's concerns in certain areas. It is not prejudging whose jurisdiction these particular recommendations would fall to. It is simply saying that it lies with the committee that these are two options. It does not speak to the question of whose jurisdiction it is. It is simply an area of concern to the committee. That is all it attempts to do. It does not say this is definitely where a recommendation should be.

Mr. Martel: I understand. We might want to flag it as a note in brackets, "Federal jurisdiction," or something to that effect, just so somebody cannot back and say, "You guys do not even know which areas you are talking about."

Mr. Jennings: Okay, that is fine. These are just areas of concerns.

Mr. Chairman: Yes, we get the message. It is an important message and we will speak to it the best way we can if we have time available.

Mr. Jennings: When we finished off I was at the second point in pensions:

"Plant shutdowns and terminations on pension plans result in the long-term reduction of pension benefits to many employees because of vesting requirements, lack of portability provisions, lock-in requirements and loss of any inflation indexation for those already receiving benefits."

Mr. Chairman: Are there any other questions or comments under that subheading, "Pensions," before we move on? We will move on then to "Placement Aid for Laid-off Workers."

Mr. Jennings: "Manpower adjustment committees: How successful are they? Do they receive adequate funding? Should they be required in all cases?"

"Retraining and educating laid-off workers: To what extent should skills training courses like those set up by Steep Rock be encouraged?"

"What role should the Ministry of Colleges and Universities have in providing skills training courses for laid-off workers?"

Mr. Chairman: Are there any comments or observations under "Placement Aid for Laid-off Workers"?

Mr. Martel: The federal authorities have relocation pay. That is not always successful. Maybe we should flag that in here, too, assistance for relocation, just as an extra point.

Mr. Cureatz: Is not assistance for relocation somewhere further on? I thought I read it later on in the recommendations.

Mr. O'Neil: As travel allowances?

Mr. Jennings: Should payment to cover relocation expenses be provided to laid-off workers?

Mr. Chairman: "Plant shutdowns": The first subheading is "Foreign Ownership."

Mr. Jennings: "Decisions with respect to shutdowns are made in many cases outside the country."

"Operations rationalized in favour of increased production in the parent company's country meeting the demands of the Canadian market with production from there"--it should be "from there to that location"--"can reduce Canadian operations to distribution and marketing and still compete economically in the Canadian market."

Mr. Sargent: The second clause does not make any sense. "Production from there" means from their own country.

Mr. Turner: From that location.

Mr. Jennings: Change "there" to "that location".

Mr. Mackenzie: Hang on for a moment. There is another point, too. While we can become distribution and marketing centres, we can also become a straight assembly operation, whereas previously we were a manufacturing operation. That has come through loud and clear. We have to add that possibility as well. It is the loss of the manufacturing ability that should worry us in many cases. Assembly is little more than distribution or warehousing.

Mr. Chairman: So you would include straight assembly operations?

Mr. Jennings: Can reduce Canadian manufacturing operations to assembly, distribution--

Mr. Mackenzie: And/or.

Mr. Jennings: --and/or marketing operations.

Mr. Chairman: Maybe if you said the parent firm can compete economically.

Mr. Martel: We mention here somewhere the concern we have about the length of time. I think of Outboard Marine. The decision is made now, but the rationalization of the company five years ago may ultimately stop production of these parts for the Lawnboy or the Johnson-Evinrude. It reaches such a point where it is no longer viable to do anything but assemble.

What I am trying to drive at is somehow mentioning that our concern does not take place at the time of the shutdown but what led up to the decision to shut down. I think that is an area of involvement we can be concerned with: finding out what they decided five or six years ago.

If you will notice, Bendix said they had planned six years in advance. To me, that is a concern. I do not know how long other companies plan in advance, but if we are ever going to get a handle on it we will have to go back a certain period in time to see what they were doing four or five years before the decision to close came.

The same applied to SKF. They started to cut back certain lines that make it not viable for them to operate here. Then they can simply say to any authority: "The reason we are closing down is we do not make the parts. We are just assembling and we can ship in offshore." That is what is going to happen in Peterborough, I would venture to say.

Mr. G. Taylor: Is that called production rationalization?

Mr. Martel: How far do we go back? A concern of ours is that we have to go back four or five years to review these things.

Mr. Turner: Do not misconstrue that five- or six-year planning period, because they also said very clearly that it was done on a year-to-year basis with a five- or six-year maximum.

Mr. Martel: Would you run that by me again?

Mr. Turner: It is a continuous process. A decision is not necessarily made five years ago that is going to be implemented today. They do try to forecast five or six years into the future based on year-to-year conditions.

Mr. Martel: All I am saying is that in our concern what we have to express is that we have to review. Our concern was going back to see what ultimately led to the dismantling. Do they reach a point where it is no longer viable to operate here and they start to ship in and either just assemble or sell? Those decisions that lead to that can be a systematic dismantling that leads to the decision this year to close down the operation. We cannot just look at this year.

8:50 p.m

Mr. Chairman: Mr. Martel, can you think of something? I think you have a point, and others do too. What words could you use to help work it out?

Mr. Martel: It is an area of concern. We would have to say reviewing the possibility of corporate decisions that dismantled operations here to where it reaches a point that it is no longer viable to manufacture anything in Canada which ultimately leads to the decision to close.

Mr. Turner: I think that's a bit simplistic, Mr. Chairman. We have to add there something about market conditions, because the message came through quite clearly in every one of the cases that we have studied so far that this past nine, 10 or 12 months have been a very dramatic period of slowdown. That has come through very clearly for reasons they specify.

Mr. Martel: For the last nine or 10 months, that's correct, but decisions were made five years ago that started to see the systematic dismantling process.

Mr. Turner: We don't know that, though.

Mr. Martel: That's what I am saying. What I am trying to say is we have to express that concern here as one of the things.

Mr. Turner: We can flag it.

Mr. Chairman: Let me just try some words in the form of a question under "Foreign Ownership": "Are decisions being made designed to systematically reduce manufacturing"--

Mr. Martel: Capability.

Mr. Chairman: --"in Canada?"

Mr. Martel: To a point where they no longer operate viably in the manufacturing field.

Mr. Turner: In Ontario particularly.

Mr. Eichmanis: I had a version of this as well: "The extent to which prior events were playing leads to an eventual winding down of a Canadian plant."

Mr. Mackenzie: A case was made or may have been made--we don't know for sure--in the SKF operation because, as you know, there were plans to shut that or wind it down five years ago. For whatever reason, that was held off. But the evidence clearly--or at least to me it seemed fairly obvious--was that what happened was, instead of manufacturing the bearings at that point in time, they started importing them and packaging and assembling them and it cut out some of the major runs in bearings, the major runs that usually are more profitable. When you cut them out, you end up only in the short runs. That led to a position where it was almost inevitable that they would make the move to close now, some five years after that first scare was there. It is not closed; they are going to be an assembly operation, as they said, warehousing, and that's all.

Mr. O'Neil: Mr. Jennings has it down.

Mr. Chairman: I think he has words that would be acceptable.

Mr. Jennings: "The extent to which decisions are made in advance to transfer profitable lines or products outside the country, reducing the economic viability of the operation in Canada."

Mr. Turner: Could you just read that first part?

Mr. Jennings: "The extent to which decisions are made"--

Mr. Turner: The possibility of the extent.

Mr. Jennings: The possibility that decisions are made.

Mr. G. Taylor: I am going to suggest too, as you read there, that some are designed intentionally and some, I suspect, are unintentional. The unintentional ones, I would say, were more like the Prestolite example, where over a long period of years they finally ended with a product that had to be discontinued and the plant closed down. But they started out 20 or 30 years ago with something entirely different that was a product used then and is still used today but manufactured by a totally different plant. So there is one unintentional. Another one, such as SKF, would be designed over a period of time to reduce themselves on the market.

Mr. Breaugh: I think we are having trouble identifying problems and areas of concern, let alone solutions. Let me point out this one. In 1975, just to give you an example, there was an energy crisis in the United States. You may recall there were long news clips of big lineups at the stations and all of that.

In 1976 and 1977, the Big Three auto makers collectively moved to change their production patterns. It had nothing to do with profit or loss. It had everything to do with an energy crisis, real or imagined, in the United States.

In 1976 and 1977, they moved to put in their Canadian plants the production of large automobiles. At that point in time we got in Windsor the Chrysler Cordoba, which sold well.

Mr. Sargent: Was there a tariff problem bringing them in?

Mr. Breaugh: No, not a thing. There is no tariff. There is free trade across the border under the auto pact.

Mr. Sargent: Bringing the Jap stuff over.

Mr. Breaugh: No. These are not Japanese automobiles at all. These are American-made and Canadian-made. What they did very simply was they moved to protect their American source plants. They moved to put in Canada the production of large V-8 engines and the same kind of automobiles. The market did a little twist in there, because the energy crisis kind of dissipated.

We wound up in 1978 and 1979 producing in the main large V-8 automobiles. They happened to sell well for a couple of years, but the move was made very consciously in 1976 to 1977 to see that the small engine automobiles were made in the United States and the large ones were made in Canada. If you look at the production patterns, that's what we wound up with.

We are paying the price for that now. It's a couple of years later than the Big Three or Big Four auto makers thought was going to happen. But if you look at our production facilities in Canada, as a result of a very conscious decision on the part of foreign-owned auto makers, we wound up making the wrong cars. It happened that they guessed wrong on the market for about two years in succession but, by the third year--that is, this production year--they had guessed right. We wound up making all of the large gas guzzlers.

Mr. Turner: But that was in reaction to a consumer resistance in the United States as well.

Mr. Breaugh: No. I think we should point out it wasn't a reaction to consumer resistance. In fact, the market proves quite the contrary.

Mr. Turner: I think it was, for the first year or two.

Mr. Breaugh: No. We wound up in the late 1970s producing, for example in Oshawa, V-8 Chevrolets and Pontiacs, the best-selling cars on the market.

Mr. Turner: Which were selling quite well at that time.

Mr. Breaugh: All that happened there was that the auto makers had guessed wrong. We still wound up with a problem that I think you haven't been even able to identify, because that's not as simple as market conditions. It's not as simple as a corporation doing that.

It concerns me just a bit, and I will make a strange suggestion to you. I think it might do you some good to talk to some management people from companies that have gone under in the last couple of years to see if they could signal for you some indicators they might have seen a couple of years ago that their plant was in trouble.

I know, because I have talked to some people in that same position in the last six months whose plants have gone under. They indicate rather clearly they saw several warning signs which they didn't pay much attention to because there was no announcement of a closure but, on reflection, they should have been quite aware that the company was not talking about the marketing conditions. It was not talking about profit and loss. It was talking about corporate rearranging. I think that you have missed that one entirely.

Mr. Chairman: Those are several good points. As just a quick response to one of them, and Mr. O'Neil wishes to comment too, it is our intention to get such people before the committee. One of the problems we face, and this hits it right on the head, is that we feel under some obligation, if not pressure, to get an interim report back to our colleagues in the assembly. That's one of the reasons. We recognize that as we are doing it, and we are trying to see how and we hope that it comes through, but we have a hell of a lot of work ahead of us.

Mr. Sargent: What is the speed factor? Who is setting that?

Mr. Chairman: I think it's fair to say it's self-imposed. The problem now is one that the House leaders share, namely, when and where they can fit us in for an interim report and debate.

Mr. Sargent: But you are a long way from the target here.

Mr. Chairman: I agree.

Mr. O'Neil: Mr. Chairman, we have to press ahead on it. I think research staff and staff have an idea of what is to be covered.

Mr. Martel: I have a couple of points. First, I want to get run by me again the statement Mr. Jennings made. In this whole foreign ownership thing, one of the key areas for us has to be research and development and how much to retrench there. I recall

we looked at it before when Ford decided to take all of its research and development out of Canada and gave most of it, I guess, to Philco Ford. One of the weaknesses in our economy is the aspect of R and D.

9 p.m.

We heard a couple of companies who sent back--no, it wasn't R and D; it was assets today; it was managerial skills and sales that they cut back.

Mr. Jennings: Sales and engineering.

Mr. Martel: It seems to me, in that whole line too, one of the indicators that somebody is packing up, taking his bat and ball and going home is what they do in research or the total lack of it, but certainly SKF put any research in Canada as well. That should be in that systematic dismantling.

On the other thing, I think Mike raises a valid point. Just as a point of concern, because most of the companies we have looked at deal with bearings and with the automobile, we might flag that in there on foreign ownership. Another thing is tariffs. I don't know if you mentioned it.

Mr. Jennings: Yes, tariffs come up later.

Mr. Chairman: Can we hear Rick? Rick can try again on that last statement.

Mr. Jennings: "The possibility that decisions are made in advance to transfer profitable production and research and development outside of Canada, reducing the economic viability of the operation in this country."

Mr. Martel: I would like to include it to a point where they will either merely assemble here or serve the Ontario market from a plant in the United States or somewhere else.

Mr. Jennings: I think that is covered in the third point. We could combine the points. I don't know if they should be repeated.

Mr. Chairman: Can I try one more set of words that I think will speak to your concern and, to some extent, help Mike out? The point to be made is that "the effect of long-range planning which could lead to eventual manufacturing or employment reduction in Canada."

Mr. Martel: No. I prefer what Rick is doing, Mr. Chairman--with respect, of course. Run yours by me again, Rick.

Mr. Jennings: "The possibility that decisions are made in advance to transfer profitable production and research and development outside of Canada, reducing the economic viability of the operation in this country."

Mr. Martel: "Profitable lines," I think, are the words; you leave that out?

Mr. Jennings: Profitable production or profitable lines; whichever.

Mr. Chairman: Has everybody agreed on that point? Then under the heading "Foreign Ownership," with the addition of that point, are there any other observations or comments?

"Recession" then.

Mr. Williams: On the last point, "foreign-owned branch plants do not try to compete in export markets, denying themselves access to the large markets they need to be viable."

With regard to the witnesses that were before committee--I didn't hear all of them--is this a universally held position by all of the specific companies that were testifying before the committee? It is a very sweeping statement. I wonder whether that conclusion is drawn simply on testimony that was given here or whether it was some other more tangible evidence.

Mr. Jennings: If we added "many" at the start, or "some"? There is a clear case, for instance, that when SKF came here--

Mr. Williams: I have no objection if it is qualified. I think there is some evidence of that, but it is a pretty sweeping statement to say that all foreign-owned branch plants don't compete. I don't think you can make that generalization.

Mr. Martel: I think the statement is pretty accurate, because if you look at most of the foreign-owned companies in Canada, the branch plant, it is hard to find some that do attempt to crack the export market. It wasn't just Outboard Marine which said the only reason they operated--they increased their production from 5,000 to 34,000 commercial motors, but they said that was simply to satisfy orders placed with them by their sister companies.

Mr. Williams: But you are attaching one example in applying a general perception. I don't think that is a fair comment.

Mr. Chairman: I think there is a way we could reword that.

Mr. Williams: I think it should be qualified until more evidence comes in stating that this is a universal objection.

Mr. Martel: Let me raise the question, and each of us might try to think where we do see a multinational--I sat on a select committee for four years, and one of the conclusions we came to was that they didn't try to export.

Mr. Williams: But going on the basis of the evidence that has been given here, you dealt with how many companies--half a dozen? Even if every one of them had made that observation, I

don't think you can conclude that therefore it has universal application. That is why I don't think, unless there is harder evidence available at this time in our hearings, that you can generalize. I think it should be qualified.

Mr. Chairman: Rick has a suggested way the point may still be made but a little softer.

Mr. Jennings: If we say "many foreign-owned branch plants do not try to compete in export markets, denying themselves access to the large markets they need to be viable."

Mr. Williams: Even at this time I don't know whether it is many, or some or few. If we indicate at this point evidence would indicate that some foreign-owned plants don't try to compete.

Mr. Martel: John, why don't we just use the word "some"?

Mr. Williams: That is fine. It may come out later on that it is many, but there is not enough evidence in yet to confirm that.

Mr. Mackenzie: Mr. Chairman, there is one additional point here. I would agree with Mr. Williams to the extent that you can't make it universal. Certainly in every one of the six or seven cases before us they were pretty well cut off. The one attempt at so-called global product mandating was the engines that Elie talked about at Outboard Marine. As soon as that got going, after two years' operation, the operation was pulled out of Canada to the American plant.

The point I have some difficulty with also is that it is just not a question--and I don't think we can say that in every case that happens, to that point I think we have to qualify it, but denying themselves access to the market--it is not a question of denying themselves; in many cases the parent company won't let them ship to another market. I well recall some of the problems we had with Anaconda where, before the plant changed hands and was taken over, by agreement with the parent company they couldn't ship or try to supply foreign markets. In many cases it is a decision made by the head office where you have a branch plant operation.

Mr. Williams: I am not arguing the specific cases where the points have been made. As I said a few moments ago, even if all the witnesses, all the specific companies before us, every one of them without exception, said this, I don't think on the basis of that minimum number we can draw the general conclusion. So I think at this time it would not be inappropriate to qualify the observation.

Mr. Chairman: That seems fair enough.

Mr. Williams: That can be proven later, or otherwise.

Mr. Mackenzie: I want to raise one other point. The point has been made with me, and it has some merit, because I am one of

the people who have argued for an interim report which says what we found to be problem areas and what was, to use Jim Renwick's expression, the way ahead for this committee. The question raised is, while it is not lengthy, we are specific on some of these points, the two or three or four or five areas covered. I am not at all sure that we haven't lengthened it enough so that we run the risk of not covering specific areas.

I would like to go through what is left here but leave it open as to whether that is what we go with at this time. The thinking behind that is, if we are going to lay out the problems we have identified and if we are going to lay out the way ahead, it probably should be done on an almost simplistic overall basis. By that I mean one or two pages identifying the problems we found, rather than trying to hit a number of specific areas and missing a bunch in the report. I guess that means considerably condensing it.

We found out, as we know, that there are problems with workers in terms of what happens to them; so the questions of severance or notice are valid questions. We did find out fairly clearly--I have heard no disagreement--that the decisions being made in many of the branch plant closures are made outside of this country with damned little input from Canadian management. It may be that we should not be going into anywhere near as much detail and end up with a two- or three-page interim report which just highlights the specific areas of concern and the specific areas we have to address ourselves to when we have the umbrella organizations in in January. That would be a heck of a lot less than we have here, and I am just raising that with you.

9:10 p.m.

Mr. Jennings: Following that is a two-page section called "The Way Ahead," which I think addresses the points you have raised in a fairly short, concise manner. It may not cover all of the things you are concerned with, but I think it covers some of them.

Mr. Mancini: I was going to make a point here concerning the specificity, if I may use that infamous word, of the report before us. I would concur that the best way for the committee to proceed would be to make some general observations in a fairly broad manner which would therefore not tie us down when we get to the final report.

I am afraid if we get too specific at this point, although I think we know some of the areas we want to deal with, it may look as if we possibly erred in some areas or that we are ignoring previous things we have brought to the attention of the House when we do the final report.

I think some general statements as to where our concerns are at this point would probably be the best way to go.

Mr. Eichmanis: If I can interpret Mr. Mackenzie's and your remarks, what you are saying is we simply delete or not put in

"Areas of Concern" and everything that is contained in that section and go immediately to "The Way Ahead" and review whether that is adequate and whether you want to include things in that section that are not included there now. We dispense with the section called "Areas of Concern" and "Possible Recommendations and Conclusions." Is that correct?

Mr. Mancini: That could be a way to do it, yes.

Mr. Jennings: Perhaps if you want to get to that part right away and see how much of that is what we are concerned with.

Mr. Eichmanis: In other words, if we start with "The Way Ahead" and go through that, and if you notice inadequacies in that section, it may be the wish of the committee--

Mr. Mackenzie: You may want to condense what we are doing in "The Way Ahead." You have gone halfway through it. I think I would finish it but not make any definitive conclusion as to whether that is what we are going with, because I think there is a possibility of shortening this interim report.

Mr. Eichmanis: It seems to me that we have to establish whether we want to have a section called "Areas of Concern" or whether we want to have a section called "The Way Ahead" which includes whatever there is in that section now, plus a shortened version of that section dealing with areas of concern. It seems to me your suggestion is that we leave it as "The Way Ahead," including whatever is there, plus a shortened version of "Areas of Concern." Is that correct?

Mr. Chairman: Excuse me, Mr. Mancini, is this on your first point as well? Then I am sorry. Just so everybody knows: Mr. Williams, Mr. O'Neil and Mr. Turner.

Mr. Mancini: In response to John's comments, I think the area entitled "The Way Ahead" seems to address what we were concerned about in the wording that may be acceptable to us. If we just add maybe a few other comments, if we feel they are necessary at this time, I think we would be much further ahead than trying to deal with the specifics point by point because, as we can see, we are having a little difficulty with it.

We are also, I am afraid, ahead of ourselves, because there are many organizations that we have not heard from yet that we want to hear from and, as long as we can stick to the general statements of things we have heard, we don't have to worry about whether we use the words "many companies" or "some companies." I don't know if this is the point to get involved in that kind of detailed discussion on the wording. This is an interim report we table with the House and we may have a debate. I hope we do. I think the debate should revolve around the general discussions we have had in the committee. We have had general discussions on severance pay; we have had general discussions on advance notice of layoff; we have had general discussion on pensions and on the tariffs. From what I can recall, unless I missed one of the others, only the SKF people really raised a strong concern about

the tariffs. We do want to mention something about the tariffs in the report but we can't say many of the corporations and the unions brought that to our attention, because it is not true.

I would just stress again, I like what I see under the title "The Way Ahead"; possibly we can expand that, if other members find that acceptable, and we can carry on. If you don't find that acceptable, don't worry about; I am not going to lose any sleep. I will work any way the majority of the committee wants to. It is just a suggestion that could possibly be of great assistance to us.

Mr. Chairman: Help me out. Your suggestion is that we jump to "The Way Ahead."

Mr. Mancini: Yes.

Mr. Chairman: Okay, I just wanted to be clear. Let's please stick to the list: Mr. Williams, Mr. O'Neil and Mr. Turner.

Mr. Williams: One of the members mentioned the fact that we may be getting too specific on some of these items and we don't want to be totally dogmatic at this point. It is too early to do that, but I would disagree with Mr. Mancini, who suggested we scrap the section "Areas of Concern." These are the indicators of what the initial evidence and testimony has provided and it is a very useful and important summary of what has transpired to date. It seems to me that if they are general enough, it will lay the groundwork for honing in on specific conclusions and recommendations.

If the areas of concern can be agreed to in a general way, it leaves us flexibility to vary those later on in the forms of hard conclusions and specific recommendations based on the input of much more evidence than what we have to date, and they will be very useful for that purpose.

Our greatest difficulty is going beyond possible conclusions. I am not sure whether at this stage it is not premature even to be suggesting recommendations. We, as a committee, should not be put in the position of prejudging many of the matters here based on the evidence to date when we know that there is still quite a few weeks of hearings still to be held. Perhaps it would tend to remove any perception of objectivity of the committee if we started coming forward with even tentative recommendations at this time.

We can deal with areas of concern, identify them and touch on possible conclusions without saying that these would necessarily lead us to any specific recommendations, but to go further than that tonight would be folly.

Mr. Chairman: Thanks, Mr. Williams. I think that there--

Mr. Cureatz: Before you continue, we Tory members have decided that we should move a motion of no confidence in your chairing and your handling of this committee.

Mr. Chairman: I approach that motion by the Tory members with the same kind of fear that I usually approach the motion by the Tory members, which is to say none at all. I am just delighted you are all here.

Mr. O'Neil: Let the record show the Tories were fighting among themselves.

Mr. Chairman: Mr. O'Neil and Mr. Turner, I think we are coming to a consensus.

9:20 p.m.

Mr. O'Neil: I tend to agree with Mr. Williams on this. As we have gone through this section, or started to go through these areas of concern, I think we have tried to be too specific so that we are going to try to include everything that is there.

These areas of concern should be included as part of the report, as backup information, without trying to be specific or trying to cover everything that should be covered. If you want to be more specific in the other section, "The Way Ahead," or something like that, I think it would be good backup material for all members to have a look at.

Mr. Chairman: Yes. I think that is a key part of it.

Mr. Turner: I guess I am going to say the same thing, Mr. Chairman, just in support. The areas of concern do reflect those areas we have been dealing with and they do reflect the fact that we do need much more information. I would be prepared to support them.

Mr. Chairman: In the time available to us then now, a little more than an hour, do you want to jump straight to "The Way Ahead"?

Mr. O'Neil: (Inaudible.)

Mr. Chairman: Let Rick pick it up under the subheading "Recession" under "Plant Shutdowns."

Mr. Jennings: "Recession: Low product demand in Canada and Ontario's major export market, the United States.

"Reduction in sales of economic staples, automobiles and houses, while partly due to structural changes, is partly cyclical in nature. The multiplier effects of large drops in demand for these products is huge."

Mr. Chairman: Are there any comments or questions on "Recession"?

Mr. Jennings: "High Costs: Inflation, increased labour costs, increased energy costs, high interest rates."

Mr. Martel: What about profits? The concern with Armstrong Cork was that they could not get sufficient profits to satisfy them to stay in Canada, and they decided to take their bat and ball and go home and invest over there. Profits should be included with those factors under "High Costs."

Mr. Turner: That was a contributing factor, but it was not the only factor.

Mr. Martel: I am not saying it is. I am just saying when you put inflation into these labour costs, increased energy cost, you have to include--

Mr. Cureatz: Increased profits?

Mr. Turner: Lack of market.

Mr. Martel: They decided their profits were not sufficient, even though they were making money, to continue to operate in Canada so they called the ball game off and went home.

Mr. Turner: They were closing up because the market was declining or had declined.

Mr. Mackenzie: They wanted at least 13 per cent return on their money, and it was not worth operating otherwise.

Mr. Turner: The trust companies will give them 13 per cent now.

Mr. Jennings: "Low Canadian dollar, while making Canadian goods more competitive in domestic and foreign markets, makes the cost of importing components and machinery used in production higher."

Mr. Mackenzie: There is a small point I want to add, and I do not want to add to that section, but where you are dealing with--

Mr. Cureatz: Let's start again.

Mr. Chairman: No. We are--

Mr. Mackenzie: Why doesn't Mr. Cureatz take this seriously for a few minutes?

Mr. Cureatz: I was just making a point to Mr. Renwick, that's all. We are very honoured to have his presence back in the committee.

Mr. Mackenzie: About the low Canadian dollar, one of the things that was interesting to the committee at least was that in the case of Steep Rock, the sales were in American dollars, and that is the way they figured the operation from day one. I would not change that, but I think it is something about which we had

Mr. Jennings: "Structural changes in the economy: Many plants no longer produce viable products; for instance, the shift to smaller, lighter cars containing more plastic and aluminum has put many auto parts manufacturers out of work.

"Shift to microelectronics and silicon chip technology has similarly made many manufacturers uneconomic.

"Shift to less energy-intensive technologies and equipment has changed viability of some manufacturers."

Mr. Jennings: "Import Competition: Canadian manufacturers compete in a small market wide open to foreign competition because there are few tariff or nontariff barriers to imports.

"At the same time, many foreign markets effectively exclude Canadian manufacturers with tariff and nontariff barriers.

"Canadian manufacturers in many instances do not have access to a large enough market to make them economically competitive."

Mr. Cureatz: Will this speak to Mr. Mancini's point? He is not here now.

Mr. Chairman: Indirectly, I think it did. I think that is clear enough. I think Remo would go along with that.

Mr. O'Neil: I don't know whether I would agree with the last one, which says Canadian manufacturers in many instances do not have access to a large enough market to make them economically competitive. The market is out there; it is just going after it.

Mr. Turner: Why not say a large enough domestic market? Would that be more accurate?

Mr. Eichmanis: It is both foreign and domestic.

Mr. O'Neil: The foreign market is there; it is just that we have not been selling our products.

Mr. Mackenzie: That is not entirely true. SKF is another perfect example of where we asked them if they could compete if they had one of the bearing lines they used to manufacture and are now being shipped up from the Philadelphia plant and assembled here. They said, "No, because even if we"--in this global product mandating, once again--"said that we were making these for the European market, the European Economic Community has tariffs which prevent us from shipping them there in any event." SKF officials made that clear.

Mr. Chairman: "Jurisdiction shopping."

Mr. Jennings: "Many American states have a wide range of tax and grant incentives from federal, state and municipal governments encouraging industry to locate there.

"Sunbelt states with right-to-work legislation and low levels of unionization have low wage rates which may be attractive to industry.

e "Ministry of Industry and Tourism remains confident that Ontario can compete effectively for new investment without getting involved in bidding wars and is, in fact, doing so."

Mr. G. Taylor: On the point about sunbelt states with right-to-work legislation, they also do not have many other items of legislation that we have here, such as the environmental situations, the planning in regard to location, industrial planning. There are many considerations in the sunbelt states. They also make it attractive by way of different grants and incentives that we don't have, which is covered in your first point. There are many features besides the right-to-work and unionization problems they have. You might just want to put a general category, as well as other features of their legislation.

Mr. Jennings: Are there fewer environmental regulations?

Mr. G. Taylor: Yes.

Mr. Chairman: Perhaps if you said fewer regulations.

Mr. Mackenzie: I don't think you can ignore right-to-work legislation, because if there is anything that is being used--and we had that whole episode in the Westinghouse case--to avoid unionization, the implication being the wage and benefit levels that are paid, it is what you have in right-to-work states. That is exactly what the legislation is.

Mr. G. Taylor: I don't deny that, Mr. Chairman, but there are also other features, startup features.

Mr. Mackenzie: I don't mind if you are adding other features.

Mr. G. Taylor: I am not taking away; I am adding.

Mr. Mackenzie: But I don't think you can drop the right to work. That is the point I am making.

Mr. Martel: On a point of order: I hate to do this to you, but you ran through import competition so quickly. You talk about Canadian manufacturers. What bothers me is that the implication left is that it is just Canadian firms. We looked at SKP, where we are talking about a Swedish company that is playing around with the tariff thing, and Bendix, which uses the old manoeuvre of saying, since a line is not produced in Canada, you get in under the tariff barrier; if it is not being produced in Canada, then tariffs don't apply.

If you are the only competitor there in the field--and that is what it is boiling down to with Outboard Marine; I guess they are going to be the only one outside of the people who produce Mercury engines. My concern is if you can take them all back to

the United States to produce Outboard Marine, you will then be able to do as you do with mining equipment. There is nobody producing it here; therefore, you get in under the tariff barrier.

Mr. Mackenzie: You change it around to manufacturers in Canada.

Mr. Jennings: Manufacturers operating in Canada.

Mr. Chairman: "Jurisdiction Shopping" then. Mr. Taylor had made the point about some other factors such as fewer regulations to be added. Are there any other comments there? "Information on the Extent of the Problem" then, Rick.

Mr. Jennings: "Statistics on layoffs compiled by the Ministry of Labour are not comprehensive; only permanent or indefinite layoffs of 25 or more employees are kept track of."

"Only in the case of layoffs of 50 or more people is there a legal requirement to report to the ministry."

"Temporary layoffs of 13 weeks or less and layoffs of 25 employees or less are not recorded."

"Financial information on wholly owned subsidiaries of foreign-owned corporations is not publicly available, making it difficult to determine whether the closing is justified."

Mr. Martel: I think there should be a whole new section of area of concern; it is not here--and I think Mr. Ramsay agrees with me--that is, the area of concern of what happens to people once they are laid off in one-industry towns and so on. What happens to the workers and their families based on some of the statistics? We have seen an indication that what we would have to have is socioeconomic impact studies, but if we are not making recommendations, I think we would have to flag that sort of thing. We have to know what happens to people when there is a massive layoff, to the families, to their income, to their homes, to them mentally. There is such a series of problems that could be developing. I think there is an onus on government, and that would come out in the recommendation. We should know what happens to people.

Mr. Mackenzie: The human factor.

Mr. Chairman: We have two options: It could go under that heading, Mr. Martel, "Information on the Extent of the Problem." It could be just an additional point there or--

Mr. Martel: I think it should stand on its own, Mr. Chairman, because it is a significant area that has never really been looked after. There were a couple of studies done in the United States which I quoted the other night. The suicide rate is up, the number of people who end up in mental institutions has greatly increased. This is the human factor and what happens to people in these incidents, and I think we really have to

highlight that, because that is basically what it is all about, that and the lack of jobs.

Mr. Chairman: It is understood, and it could very easily get its own head, but there is another earlier on, three pages back, "Placement Aid for Laid-off Workers," and it may fit there. Let's not quibble about putting in another heading. We could easily do that, but, Elie, it does fit not badly under that heading.

Mr. Martel: I would like to highlight it, Mr. Chairman. I am not going to be hard-nosed about it, and I would like to hear other people's opinions, but I think it is significant enough that we should have an area that expresses this very vital concern.

Mr. Cureatz: Has Elie finished?

Mr. Martel: Yes, go ahead.

Mr. Cureatz: Are you asking for other input? In terms of the committee's mandate, that is certainly an area that we were given some authorization to take a look at. I am wondering whether it should be put under the employment objectives and highlighted under a separate heading.

Mr. Jennings: We could have a separate heading, "Social Costs of Layoffs," and then include both concerns about cost to the employees and cost to the community and other areas where you are discussing social cost.

Mr. Martel: It goes beyond just social costs. I think we have to know what it does to people.

Mr. Jennings: The term "social cost" does not refer to just dollars and cents. It refers to both economic costs and costs in terms of the effect it has on the person and the psychological effects, the effects on their ego and the effects on their family life.

Mr. G. Taylor: On the general heading, "Information on the Extent of the Problem," I asked a couple of questions of witnesses, and it was a general thought that often the notice which was permanent in nature was followed with the verbal comment that it was only temporary. Then, after a period of time the plant closed and it became permanent. We had a general feeling that was happening more than enough to cause me some concern that the present legislation is being ill-used by the participants in plant closings.

I wonder if this could be measured more accurately by the Ministry of Labour by going through their general files on the subject. Could that could be flagged as to the common occurrence of this happening--using a permanent notice of a shutdown for temporary purposes and following it up with a permanent closing? In that way, the time frame is condensed as well.

Mr. Williams: Under the heading "Information on the Extent of the Problem," I think it would be more accurate if we changed the word "comprehensive" to "all-inclusive". I think it is understood that we do not have records that are all-inclusive, but what ones we do keep within the present ministry criteria are comprehensive but certainly not all-inclusive.

Mr. Chairman: That is fine. Done. Rick, could you respond to Mr. Taylor's suggestion?

Mr. Jennings: "Incidents of using permanent notice in cases stated to be temporary layoffs." Is that okay?

Mr. G. Taylor: Yes. Which end up being permanent layoffs.

Mr. Eichmanis: Do you think that should be monitored by the Ministry of Labour?

Mr. G. Taylor: Yes.

Mr. Jennings: The next section starts the possible conclusions and recommendations.

Mr. Martel: "Information on the Extent of the Problems"--I am not sure that is broad enough. It seems to me we might include the specific characteristics and statistics of laid-off employees, such as their skills, their age, their education, how long before the next job, things like that, whether they collect unemployment insurance, welfare, and where they go.

Mr. Jennings: Information on tracking of employees?

Mr. Martel: Yes, to find out what happens to them, and some knowledge about their background. If we do not have that sort of information, there is not much we can do to make recommendations about what input it could use. But if it has all that information--educational levels on individual people--it can start to match people who have skills training with jobs. It is going to be vastly different. If we look at, for example, an immigrant worker and someone with a grade 12 education to try to link up where you assist or with the type of assistance that is necessary and so on.

Mr. Jennings: That is sort of divided. One thing would be the tracking of employees--what happens to them after they are laid off. A profile of the employees who are laid off would cover your second point about their educational skills, and the status of the people who are laid off.

Mr. Cureatz: Here we are at what I mentioned back at eight o'clock, possible conclusions and recommendations. I understood from the committee that we were going from now, "Information on the Extent of the Problem," to the way we are going. That is my understanding. Is that correct? If that is my understanding, then I will make no further comment.

Mr. Chairman: Mr. O'Neil, that was the discussion.

Mr. O'Neil: That is my point too, and I would like to get the feeling of the committee on this, because I wonder--when we come with the title "Possible Conclusions and Recommendations," as you expressed, Sam--whether it is not too early to do this. Those should actually form part of our conclusions and recommendations at the end of January rather than right now, because we have not heard all of the evidence that will be coming forward in January. Shouldn't this be kept until that date?

Mr. Chairman: There had been some general discussion about this earlier. I want to make sure there is an understanding in the committee that we are doing that. We are going to move ahead to that, the last two pages, "The Way Ahead."

9:40 p.m.

Mr. O'Neil: Are we going to leave this out of the report completely?

Mr. Chairman: I am not sure I see a consensus. The earlier discussion--Mr. Renwick, I think you want to speak to this--was very simply to skip that portion headed "Possible Conclusions and Recommendations," to go from the portion we have now just completed, to the last two pages. Mr. Renwick.

Mr. Renwick: At the appropriate time, I think.

Mr. Chairman: I am in the hands of the committee but I think this would be the appropriate time. We have one of two alternatives: discuss the substance of that recommendation--

Mr. Renwick: May I speak on this at some point?

Mr. Chairman: Yes, I just think it may be appropriate to do that.

Mr. Renwick: For the purpose of this discussion let me assume for the moment that I am satisfied with the introductory part and the analysis of the key study situation. Then we deal with Bill 91. Then we deal with pensions. Then we come to these so-called areas of concern. I do not think we are in a position to make any of those recommendations. So to that extent I am with the committee.

What I disagree with is its elimination, because there are certain things that came through clearly to me and I thought that we were all perceiving the same things. Let me put it this way: We cannot solve the world's problems about international economics. What we have been told in each and every case is that for so-called economic reasons decisions were made to shut down plants, in one case involuntarily and in the other cases voluntarily. That was the term that was used; that is the first point.

Secondly, it is clear that the companies had a monopoly in the decision. Again, I exclude the one where the creditors came in or they went into voluntary bankruptcy. They had a monopoly to

make that decision as to whether it was economic or not economic. I do not think it is up to us to start to get into all of the background as to what their reasons were about that particular matter. We have our case studies and they told us why they shut down. But for us to get involved in things like high costs, recession, structural changes, import competition, jurisdiction shopping, information on the extent of the problem and the possible conclusions, that is not what we heard.

What we heard, and I think it is very clear, was that the economic decision was taken to be the sole prerogative of the companies. Let me leave aside Heintzman, which was a special situation. That prerogative was not to be intruded on by anybody. They were to make the decision about it.

Thirdly, in the face of that, and in most cases we were talking about some of the strongest unions in the country, they were helpless in the face of the decision. They not only were not participants in the decision-making process in so far as the workers were concerned with the best organizations available in the country; all they could do was get the best deal in very tough situations that were involved in it and get out.

Fourthly, it raises a profound question as to whether or not, as a matter of public policy in Ontario, there is a role for government in the question of that decision-making process, whether they are multinational internal companies, multinational external companies, conglomerates or whatever.

Mr. Cureatz: Are you not going to the next section, "The Way Ahead"?

Mr. Renwick: No, I am not talking about from "The Way Ahead." I am talking about what our preliminary conclusions are now about the report.

It seems to me there are three matters that must be clear to all of us. If they are not clear, then I would like to know in what respect they are not. I would like to repeat them.

First, there was a monopoly by the companies on the decision-making process as to whether it was economic to shut down. That that was their sole prerogative. That was quite clear. Nobody else was consulted; nothing else happened.

Second, the unions were helpless. The strongest unions in the country organized to protect the workers were for practical purposes helpless except to negotiate a close-down agreement to get whatever they could out of it by way of almost a salvage operation. You cannot equate union power with corporate power in the decision.

Third, quite obviously a participation by the unions in the decisions of management to shut down would be like putting the big guy up against the little guy in each situation, and there is no David in the game.

Fourth, and this is a question--it may only be an open question; it may not have to be a question we have to answer but surely there is a fundamental question that we have to pose to the assembly--is there a role for government in the decision-making process with respect to the shutdowns of these plants?

Mr. Chairman: Mr. Renwick, I do not mean to interrupt. Your points are well expressed as always, and I think what Mr. Cureatz was attempting to point out was that some--not all--of the points you have just made are actually addressed in that portion of the report headed "The Way Ahead."

Mr. Renwick: I am only trying to get at something called interim conclusions. I think we have to have some interim conclusions. We cannot go in without any conclusions.

Mr. Chairman: I understand. Can I make this suggestion? I think Mr. Cureatz wishes to speak to this too, but it seems to me not inappropriate in view of what you have said that we, the committee, now look at the page and a bit--that is all it is--headed "The Way Ahead." We can alter the heading and the substance of that page and a half, but it seems to me that is not a bad starting point to get to the matters you have underlined.

Mr. Cureatz: I am sorry, Mr. Chairman; I missed the last pertinent statement that you made.

Mr. Chairman: It is simply to speak to the points Mr. Renwick has raised. If we did now address ourselves to that page and a half headed "The Way Ahead," leaving the option of retitling it and adding to it, it seems to me the meat of his concerns is contained in it.

Mr. Cureatz: That goes back to my original comment at eight o'clock that at this point I am not ready to list possible conclusions and recommendations. If by chance there are areas under this section that have not been covered under "Areas of Concern," I am ready to include them possibly under the appropriate headings or to add new headings of areas of concern. But I am not ready to make recommendations on conclusions. Following that, I am receptive still to look at "The Way Ahead," which covers Mr. Renwick's--

Mr. Chairman: I do not think we are very far apart at all.

Mr. O'Neil: I think Mr. Renwick raises some good points. Again, as you mentioned, they could be covered in "The Way Ahead." I think there are definitely some points that should be in.

Mr. Chairman: Agreed. Can we then take a look at that?

Mr. Martel: We are not talking about recommendations. I think what Mr. Renwick is saying to this point, and that is what he is talking about, is that there are two conclusions and one rhetorical question that he is talking about making. They are conclusions that these companies made the decision to close unilaterally.

Mr. Turner: That is a self-evident fact.

Mr. Martel: But that is all Mr. Renwick is saying. Those are conclusions we have drawn from the evidence we have so far. That is a conclusion, that all the companies we have seen so far have made a unilateral decision to close, exclusive of Heintzman, which went into receivership.

9:50 p.m.

The other one, of course, is that the union was powerless to do anything except negotiate some sort of severance or guarantee the pension. But they were not involved in the decision-making. They were powerless really to deal with it. That is another conclusion that I do not think anyone here is prepared to argue. Which leads to the third point my colleague makes, that we ask the rhetorical question--we have not made a decision on that yet--is there a role for government in face of these two positions?

Mr. Chairman: That is why I say, with respect, that last page and a half--I will read it: "Is there a role for government in requiring justification for these decisions, based on how they will affect individuals and communities in this province?" That is one of a number of questions and other points made here. I really do believe--

Mr. Martel: Have you got the two conclusions there, let me ask?

Mr. Chairman: Let's go through it.

Mr. Martel: All Jim is saying is in that section entitled "Possible Conclusions."

Mr. Mancini: The second last paragraph covers, to a great extent, most of Mr. Renwick's concerns.

Mr. Mackenzie: It covers the third point only, Mr. Mancini.

Mr. Turner: With all due respect, Mr. Chairman, we are tending to lose sight of something that I think is tremendously important. We are talking in terms of big business, multinationals, conglomerates--call it what you will. I still have a very strong concern for the smaller and medium-sized organizations for which, in my own mind, I am certainly not convinced that Mr. Renwick's observations are valid.

I do not say that in any provocative way, Jim. I just think there are a lot of small and medium-sized organizations out there that are in jeopardy. They are in very fine balance. They are treading a very fine line between continuing and not continuing. If we try to paint everybody with the same broad brush, we are going to have a lot of problems.

Mr. Renwick: All I was doing was based on our case studies. These are the conclusions we have. I am not trying to generalize.

Mr. Turner: We should make that very clear; that is all I am saying. But I think we should recognize the fact that the case studies have been of large organizations, large unions and that we do have a concern for the small and medium-sized organizations as well.

Mr. Renwick: I think the case studies speak for themselves. They are big organizations.

Mr. Turner: Right; exactly.

Mr. Renwick: The profile speaks to that.

Mr. Turner: Yes, but the "Areas of Concern" do not, Jim, with all due respect.

Mr. Martel: We are not on "Areas of Concern" right now.

Mr. Turner: Well, "The Way Ahead."

Mr. Chairman: I am in the hands of the committee.

Mr. Turner: Or, the way it is.

Mr. Cureatz: Mr. Chairman, is it appropriate to make a motion or something?

Mr. Chairman: It may be. But can we turn to that last page and a half and proceed through it paragraph by paragraph.

Mr. Jennings: "The Way Ahead--The select committee's approach up to the Christmas recess of the House had been to examine specific plant closings in Ontario. Employer and employee representatives and in some cases officials of the affected communities have appeared before the committee. This has given the committee a feeling for the effect that a plant shutdown has on the workers in the local community. At the same time, an insight has been gained into the ways in which plant shutdown decisions are made and the economic circumstances leading to them.

"The recessionary or low-growth economic conditions of recent years have led to a large overcapacity for many companies. Rationalization decisions have often led to the closing down of Canadian plants because other larger plants outside Canada could serve the Canadian market by increasing production. There is little or no economic disincentive to doing this.

"Some recommendations have been made in this interim report."

Mr. Chairman: Let's skip that sentence for the time being. How do we lead off into the questions?

Mr. Jennings: The broader issues will be--

Mr. Cureatz: The broader areas of concern--

Mr. Chairman: "The broader issues to be examined in more detail are..."

Having taught school, Mr. Martel, I am much like you. In the first sentence of the second paragraph it should read: "The recessionary or low-growth economic conditions of recent years has led to"--is that not right?

Mr. Renwick: That is exactly the gobbledegook that we have to get away from. We are not international economic experts. You can read that kind of sentence any day of the week in the Financial Times or the Financial Post. We don't need that. We are not solving the problems of the universe. All we are saying is the plants are shut down; here are the seven we have studied; these are the conclusions we have reached from them. That's all.

Mr. Chairman: So you would scratch the second paragraph?

Mr. Renwick: Yes. I don't want that kind of generalized language. I think it is meaningless when it is analysed.

Mr. Chairman: It certainly gets me off the hook on the spelling correction too. Does everybody agree to dropping the second paragraph?

Mr. Renwick: My concern is that we have a very limited problem, regardless of what we think about the broader issues and all the rest of it. We could say: "Well, now we have to study the General Agreement on Tariffs and Trade. We have to understand that. We have to understand the world movement of metal prices and all the rest of it and all of these problems." That is not our problem. Our problem is that people in Ontario are getting hurt by plant shutdowns. I think we are agreed that people are getting hurt. What in our small world can we do to alleviate that hurt? Why is it caused? That seems to me to be all we have to talk about.

Mr. Turner: I don't think so, with all respect, Mr. Chairman. We were certainly given a mandate to look into those conditions that led up to the plant closures. I don't want to be argumentative, but I think we should.

Mr. Cureatz: Mr. Martel had indicated what I thought was a good point at the time, looking at the plant five years before the closure, or whatever length of time, in terms of the decision.

Mr. Renwick: Sure. We can analyse any one of them, but what it proved very clearly was that they decided to shut down the plant for reasons that were good and sufficient to them, and they say for economic reasons. Surely we can agree that was a conclusion of our seven case studies.

Mr. Cureatz: What should we have down here then? We have been talking about it all night. Why don't we get something written down so that we can formulate it as part of "The Way Ahead"?

Mr. Chairman: Certainly I think the staff have the feel of the message here. Again, I think we are not very far apart.

Mr. Cureatz: Mr. Chairman, I am reluctant to say that about the study, because this is it, is my understanding.

Mr. Chairman: But just a minute. I think that, if it came to it, that second paragraph was stood down for the moment, allowing Mr. Jennings to carry on with the other points raised here, we could always come back to that. I don't want to go down to the mat for the count of 10 over that second paragraph. I don't think it is worth much more.

Mr. Martel: Could we leave one sentence in the second paragraph then? The second sentence summarizes much of what we have already perceived. The rationalization is done in that, in the points Sam and I raised. The rationalization is made. They can produce from offshore and, zap, they close the Ontario operation.

Mr. Turner: We might as well leave the whole thing in then.

Mr. Martel: The other by itself stands out nice and stark.

Mr. Mancini: "There is little or no economic disincentive to doing this." That is pretty nice and stark too, in my view.

Mr. Chairman: Let me make this suggestion. We will come back to the second paragraph and, God, if we had to do it, we could vote on each of the three damned sentences there. But let's proceed. "The broader issues to be decided in the coming months are..."

Mr. Jennings: "How should the costs of a plant shutdown be distributed? What share of the costs should be borne by the employer, the employee, the local community, the senior levels of government?"

"To what extent will the imposition of stricter closing requirements affect Ontario's ability to attract new investment? How will the cost to Ontario, in terms of costs to business and forgone investment compare to the benefits?"

Mr. Cureatz: Mr. Chairman, we did change that.

Mr. Jennings: Yes, that was changed to "The broader issues to be examined in more detail in the coming months are..."

To continue: "Most of the decision-making involved in the plant shutdowns studied was done outside Canada. Is there a role for government in requiring justification for these decisions based on how they will affect individuals and communities in this

province? Should governments buy and operate operations which may no longer be economically viable from the owner's point of view but which may be seen to be viable to the province as a whole?

"Should preferential access to the Ontario market be given to companies that manufacture products in Canada? How could this be accomplished? How would the costs of this compare with the benefits? How would it compare to the benefits of freer trade?"

Mr. G. Taylor: "Should preferential access to the Ontario market be given to companies that manufacture products in Canada?" What is in existence at present? Are you contemplating moves to keep out something?

Mr. Jennings: There are tariff and nontariff barriers. You have barriers like Buy Canadian policies. With the present policy there is a 10 per cent differential for a Canadian company bidding for an Ontario government contract.

Mr. Cureatz: Like no sales tax on Canadian company goods or something.

Mr. Jennings: Yes.

Mr. G. Taylor: Are you talking about international companies or other Ontario companies?

Mr. Jennings: If the product will be manufactured in Canada you give a preferential rate on the bidding. Under the present policy it is 10 per cent. If the Canadian manufacturer is within 10 per cent of the other bids from someone offshore, then the Canadian manufacturer will get the contract. There are ways of expanding the coverage of that to include, say, any projects that in any way receive any kind of government funding or credits, or else perhaps increasing that differential. Tax benefits are more likely to accrue to the government, if it is manufactured in Canada, in the form of taxes on wages.

Mr. Renwick: For four weeks, as I understand it, you will be departing from what is called the case data system.

Mr. Chairman: Yes. There may be the odd one.

Mr. Renwick: I understand. You are going to be receiving submissions from what are referred to as the umbrella organizations. Nothing it totally black and white.

The way the committee will be going about its work in January for the four weeks will be different from the way in which we have gone about our work this time. In other words, we will not be hearing further case studies of one kind or another. We may hear some, of course.

When you say this is the way ahead, it does seem to me it is possible for us in a very succinct way to state the four or five conclusions. Each of us may have an evaluated way of stating that question, but there are certain conclusions. Then when you

say "The Way Ahead," you have a list of most of the organizations you are talking about for the four weeks--or will have.

Mr. Chairman: Yes, tomorrow.

Mr. Renwick: This is a series of questions. I think it would be quite reasonable for the committee to ask the chairman to write to each of these organizations and say: "These are the terms of reference of the committee. We do not want to inhibit in any way the presentation your organization may be willing to make, but we do want you to know that these are the kinds of questions that we would appreciate if you would address your attention to in coming before the committee. We enclose a copy of our interim report for your consideration. It will be helpful to us if you would speak to these kinds of questions."

Then we could include a carefully phrased outline. You do not want them to come in and say "yes" to this or "no" to that as if you were replying to Elie Martel's riding reports, a tear-off questionnaire, or something similar, that asks, "Are you in favour of sin?" "Yes, I am".

Mr. Turner: Does Elie ask those kinds of questions?

Mr. Renwick: I do not know whether that is a valuable suggestion. But it seems to me that, in the shortness of time that you are going to be asking these abstruse questions, you could carefully phrase and send to them, and perhaps obtain from a number of organizations, some comments about them which would help the committee in its assessment of that response.

Mr. Chairman: The complete committee will be devoting the bulk of its time tomorrow to going over the suggested list to whittle that down. If the committee concurred, we could easily send to each name on the agreed-upon list a copy of our interim report to give them some direction.

Mr. Cureatz: I got lost in what Mr. Renwick was talking about. I think that sounds reasonable. But in terms of recommendations I am not ready for that yet.

Mr. Chairman: I understand. We will get to the other point just made tomorrow.

Did you have another comment to make, Mr. Renwick?

Mr. Renwick: No. I am trying to get back to some very succinct conclusions up to this point of what we have done, and then a series of things the committee is going to try to answer in the future.

Mr. Chairman: Right. But Mr. Cureatz spoke to the matter of conclusions.

Mr. Cureatz: I said I am not prepared yet to make specific conclusions and recommendations. I am certainly aware about the areas of concern. As you indicated, we will probably have some

other company witnesses. It is not a black-and-white issue, as was also mentioned. I am ready to accept what we have here at the moment with a possible amendment to page one.

Mr. Chairman: Before we get into this discussion, we have then, for all practical purposes, completed "The Way Ahead."

Mr. Martel: I want to ask one question. You tell me that based on the studies we have made it is impossible for us to make conclusions. On the other hand, you are going to depart from case studies and move to umbrella organizations. This is what these last two paragraph say. You had better read them again. It says we are moving to the umbrella groups. The last paragraph says, "The committee will attempt to take what it has learned from the case studies and what it hopes to learn from more broadly based groups to reach an understanding of and make recommendations on the issues outlined above."

If you have not been able to make any conclusions on the case studies we have had, what more is it going to take?

Mr. Mancini: Then why are we finishing it?

Mr. Chairman: Excuse me. Allow Mr. Cureatz to finish. He wishes to respond; then Mr. Taylor.

Mr. Cureatz: I will let Mr. Mancini go first; then I will finish.

10:10 p.m.

Mr. Mancini: Let us just finish our job and make the conclusions when we are done. I cannot see why during the interim report basis we are fighting about conclusions. We are halfway through. We have yet to hear from the umbrella organizations. We have yet to hear from people who are expert in many areas. I feel we have already said an awful lot.

We have already accepted an amendment that was put forward before this committee which we are going to have to deal with in the House sooner or later. I think we made tremendous strides in the interim report. Mr. Mackenzie laughs. That is fine. He might think it is a joke. I do not. But one who has taken the time to read the report, as I am sure Mr. Mackenzie has, will know we have certainly said a lot in this report. I, for one, want all the members of the committee to sign the report, and I do not want to risk that just because we want to make conclusions during the interim report. That is my problem.

Mr. Martel: If you had allowed me to finish before you so rudely interrupted me--

Mr. Mancini: I would never rudely interrupt you, Elie. That is one thing I know I would not do.

Mr. Martel: The issue I raised was that in the final two paragraphs, particularly the last one, you say on the case

studies we have made, we are going to make decisions. Then, when we talk about having reached a conclusion, we say on that evidence we have not been able to reach any conclusions yet, but you are not going to hear any more case studies.

Mr. O'Neil: Yes, we are.

Mr. Martel: You mean to say one more is going to make the difference?

Mr. O'Neil: You are saying what is the use of having them come--

Mr. Martel: I did not say that.

Mr. Chairman: Mr. Martel, allow Mr. Cureatz and Mr. Taylor to respond. I think they are going to respond to the question you raised.

Mr. Cureatz: In an effort to not be repetitive--and I know Mr. Mancini is dying to hear my choice pearls--I agree totally that I want to hear the further areas of concern and then try to formulate the overall package of recommendations and conclusions by all the committee members, if that is possible.

In that light the last two paragraphs are wrong. We will have to read through them and adjust them accordingly. The committee will attempt to take what it has learned from the case studies and what it hopes to learn. We may have to adjust that and try to frame it in combination with what it has learned and what it will learn. Then we will come with conclusions and recommendations.

Mr. G. Taylor: This repeats what was said at the outset of the committee meeting when we dealt with the report, and I recognize that Mr. Renwick was absent at that time. I think we came to some conclusion that we would not be putting any conclusions or recommendations in this particular report. However, I recognize one could come to the conclusion that Mr. Renwick has come to, but it was a fact before we even heard any evidence that the unions were not involved in the decision-making process. There are very few, if any, companies or businesses where that takes place today in Canada.

You were mentioning one conclusion we might come to was that unions had no power or no involvement in the decision about whether the plant closed or not. However, that was a conclusion we could have come to before we had any hearings. That it is a very little-used procedure in this jurisdiction, indeed in Canada, where the union gets into the boardroom and says, "Yes, we close." So I see your conclusion as something that was there before we even started. That conclusion is not one we came to as a result of all our hearings.

To get back to the last two paragraphs in "The Way Ahead," I think Mr. Mancini and Mr. Cureatz had some concern on the wording, particularly of the last paragraph. I find no concern

with the wording of that as to what we should be doing in the future. We have looked at the case studies. We have looked at the present groups and we are going to look at more broadly based groups to reach an understanding of and make recommendations on the issues outlined above. These are issues and concerns that are already in the report we have deal with this evening.

That is the way we should be going and, as I mentioned at the outset of tonight's proceedings, I thought that was the direction Mr. Renwick had mentioned earlier on, that we would be proceeding with a report--the background and possibilities of the way to go in the future without coming to any recommendations and conclusions--and it allows for an interim report. It allows for a report for people who will be coming before us in the future to make their presentations in the areas of concern that have already been raised in our minds.

If you look at some of the possible conclusions and recommendations set out in the report--I could go to the first one under "Termination Notice Provisions," length of notice period, the maximum of more than 500 employees could be increased for 16 weeks to 16 months. That is a matter of argument rather than a conclusion. It is one of many possible conclusions or recommendations. You could take 16 weeks, 17, 18 and go up successively. So it is not yet a recommendation that we could come to any precise consensus on at this time. It is something that is open for full debate as is each one of the recommendations and possible conclusions as set out here. They should be set out in our debate of this interim report for those persons who come before us to address themselves to these points. I hope "The Way Ahead" will be our last paragraph this evening.

Mr. Chairman: Any comments on that? I have just chatted with Rick and John, and we are very much under the impression that the committee, subject to changing the odd word here and there, has agreed that the report shall have at the end of it "Areas of Concern--Employee Adjustment"--that section we just went through. We understand the committee would delete the section headed "Possible Conclusions and Recommendations," and we would have a concluding section entitled "The Way Ahead" or something else.

I am having a little difficulty: I hear on the one hand what seems to me to be a suggestion that there be no conclusions drawn, hence take out "Possible Conclusions and Recommendations." But occasionally we hear, and I am not alone in this, that some conclusions should be specified here.

Mr. Mackenzie: We also have at least one recommendation we have already made that has to be incorporated in the report somehow.

Mr. Williams: Mr. Chairman, where are you getting the vibrations that there should be conclusions and recommendations? I thought the consensus was, from what you said, and certainly this is what I heard, that it would just be a question of setting out areas of concern, period.

Mr. Chairman: If we are correct in that, then I ask the committee's indulgence--because Mr. Cureatz had requested this at the outset--to go to page one of the report, where I know he had a comment to make.

Mr. Cureatz: My concern simply was that I felt the introduction was a leading introduction in terms of already formulating our conclusions.

Mr. Chairman: This is page one, headed "Introduction"?

Mr. Cureatz: That is right.

Mr. Mancini: Why are we going back to page one?

Mr. Chairman: Mr. Cureatz had requested an opportunity to speak on that at the outset of the meeting tonight.

10:20 p.m.

Mr. Cureatz: Perhaps I could read what I have here: After "The committee represents the assembly's response to two urgent problems," I would propose this amendment: "as statistics presented to the committee by the Ministry of Labour indicate dozens of plants have been shut down throughout Ontario resulting in thousands of people losing their jobs."

"Secondly, the committee has seen evidence that, at least in some instances, some of the workers whose jobs are lost in plant closings find themselves, after years of faithful service, with little or no severance pay, with extremely meagre pensions and with few prospects of finding alternative employment. The human cost is simply immeasurable."

I felt the original two paragraphs were leading to conclusions and recommendations we have not fully accepted yet.

Mr. Chairman: Any comments on that?

Mr. Mancini: If you are asking for comments, I would like to take the opportunity to make one or two. Frankly, I am satisfied with what is on page one. I do not see any need for any amendment or change in wording. I think what is happening has been written down, and I cannot understand all the concern. Plants are being shut down all over Ontario, thousands of workers are being put out of work, our industrial base is being seriously hurt. I cannot see why all the gymnastics to change what seems to me to be proper.

Mr. Cureatz: It's doing serious damage to Ontario's industrial capacity, the mainspring of the provincial economy. Again, I think that speaks to the conclusions.

Mr. Mancini: We knew that before we started.

Mr. Cureatz: I want to hear the full evidence. That is why the committee was set up, so we could investigate, and I would

like to finish off the investigation. It seems to me it is a leading conclusion.

Mr. Martel: It seems to me the first two paragraphs, by and large, are basically the same. Sam objects to the term that it is "eroding our industrial base." I am not sure why he takes that position in view of the massive layoffs that occur. If he does not think that is affecting the industrial base, I would like to know what the hell he does think.

When you see shutdown after shutdown, when SKF takes its bongo balls and goes home and we are not going to produce, that is certainly detrimental to the industrial base of this province. When somebody else decides to produce all the parts in the United States rather than in Canada and just ship them in, we become the great province of screwers. I mentioned it the other night; we just screw things together. If that is not damaging our industrial base, I do not know what is.

Mr. Turner: I don't think anybody is arguing about that. It is just a matter of polishing the words perhaps.

Mr. Cureatz: I would like to put the motion, the question, that the original first and second paragraphs be replaced by the Cureatz amended first and second paragraphs.

Mr. Kerrio: Before you put the question, I would like to comment on this, even though I am probably broadening a little on the implication here. While many workers are losing their jobs as plants close and find themselves in very severe circumstances, I hope the committee might address itself to the circumstances of many people in the province who are out of jobs and do not have proper pensions. Perhaps we could give that some consideration. It has been going on for years and we are not addressing ourselves to that question here.

In terms of numbers, there are probably a great many more men and women out of work every year and it doesn't have anything to do with plant closings. I hope the committee is going to consider those many thousands of people across the province, because the government has not seen fit to do so over the past 38 years. It is about time we take a good look at giving people some semblance of security as it relates to pensions and more meaningful income when they are out of a job, whether it is a plant closing or what has been going on for a great number of years.

Mr. Chairman: Any further comments? Ready for the question?

Those in favour of the motion by Mr. Cureatz--4.

Those opposed--6.

Motion negatived.

Mr. Chairman: Gentlemen, it is 10:25. I think we have made some pretty decent progress here. Tomorrow morning, we are going to meet at 10 o'clock and we will have an opportunity to look at the amended report. The staff will have some work ahead of them here.

Mr. O'Neil: Can we get some consensus before we go on to that? Is what we have finished agreeable to all the committee members? In other words, the format we have gone through. Are we agreed that what we have is going to be the report?

Mr. Chairman: That is certainly the hope of the chair. Tomorrow will tell. I do not know that I can do much more than that.

Mr. O'Neil: What I am wondering is, the research staff has to finalize this thing for us. Is there anything further we want changed or added or put in a different format?

Mr. Chairman: There is a substantive amount of verbiage we have not spoken to. We are going to have to look at that overnight.

Mr. O'Neil: We have had that basically. The same material you got today you had about three or four days ago.

Mr. Martel: I read it over both times--with each eye at the same time.

Mr. G. Taylor: Having served on a number of these committees, particularly the constitutional committee this summer where we wrote and rewrote and then wrote and rewrote and came back, we did arrive at a conclusion that once one area was closed, it was closed. I think that is Mr. O'Neil's point at this time. You, Mr. Chairman, have opened it all up again by your not so positive definitive feeling of what the committee is, and what area is closed and what area is going to be open tomorrow.

Mr. Chairman: Mr. Taylor, I said it is the hope of the chair that what is agreed to tonight is agreed to tomorrow. I have seen various caucuses change positions overnight that make my head spin.

Mr. G. Taylor: Don't put us in that position now, Mr. Chairman. Say which part--that is what Mr. O'Neil is after--which part is closed and which part is open tomorrow. I recognize there will be some words that will be changed slightly.

Mr. Chairman: Do you want to make a motion that this committee, between now and 10 a.m., will agree to--what?

Mr. Renwick: I just want to say two things. As far as I am concerned, I have drawn certain conclusions from the case studies and the evidence we have had, based upon that evidence. I am not trying to enlarge it to cover the universe. We have had large corporations in front of us and I have drawn certain conclusions from them. I want to be able to say that. I think it is very

important, and I tried to elucidate what my conclusions were on it. I agree with the proposition that you have to lay out what you want to find out in the future.

The second thing, and my only comment about it, is that I am still concerned about--and this is a terrible word for me to use--the verbosity of the report. I think it is too long. I guess my comment basically relates to too much information on the pensions part of it and on the layoffs and other parts.

10:30 p.m.

Mr. Chairman: Thanks for that, but I think Mr. Taylor's question--

Mr. Renwick: Well, there is no information about individuals and what they walked away with from the case studies.

Mr. G. Taylor: It is in there, Mr. Renwick. It has been added on page 11--

Mr. Renwick: Page 11?

Mr. G. Taylor: There is a supplementary piece of paper that goes on the bottom of page 11 under the heading "Some Examples of Pension Benefits and Severance Pay."

Mr. O'Neil: Mr. Chairman, what I was trying to get at was that the only sections we haven't covered are actually the case studies and some of the other--like at the back there--

Mr. Chairman: I know what you are saying. Mr. Taylor and others, including the chair, would like to have a feeling there will be no substantive changes tomorrow.

Mr. Martel: Mr. Chairman, I presume you will allow, as we do in all reports, something extra you want in that is not part of the body of the report but is an opinion or a position. I speak directly to the matter of conclusions; if three of us should decide we think these are conclusions, we can be identified as the three who state this position, and that will be allowed to be put in the report.

Mr. Chairman: In the normal course of business of affairs of the committee you could put suggestions, motions of three, six, all, some, or none, obviously. But Mr. Taylor's question still holds.

Mr. Martel: We are not going to change much substantially, I would think.

Mr. Chairman: Tomorrow morning will tell.

Mr. O'Neil: With the indulgence of the NDP members, I would like to feel we could assist staff in getting this thing pretty well prepared. The case studies are general. I think we have had time to review those. The discussion on Bill 191, which is here,

and some of these other points--in other words, could we get agreement on these things, some or most of them in general? The staff could go ahead and have that much done for us and report tomorrow; then if you have a dissenting--

Mr. Martel: Not necessarily dissenting; it might be just a little addendum.

Mr. Chairman: You wouldn't do a two-pager just to get some press?

Mr. Martel: I might well do that.

Mr. Mackenzie: He might even offer you a way out of the discussion we have had here.

Mr. Chairman: Thanks for the offer.

Mr. O'Neil: I also think that, if there is a dissent or a couple of pages added, it should be our view that--like the one plant or its employees who were supposed to appear tomorrow and they can't; so they asked to come back in January--we should hear all these plants. We might have somebody else who comes forward in January, one of the plants we haven't looked at, or somebody else who might like to be heard, and I think they should be taken into the overall picture too. I would like to see that in the report if there is going to be an addition by some members.

Mr. Williams: Just for the purpose of giving some finality to this matter in regard to how far we have gone tonight--whether it can be agreed that we have at least gone this far and we won't be going it over again--Mr. Taylor has mentioned a valid point. Would it not be in order perhaps to put a motion on the table and move that the staff be directed to prepare its report substantially in the form discussed this evening, up to and including the areas of concern, and that any further material or considerations regarding additions to the report be further considered tomorrow?

Mr. Chairman: I understand exactly the point.

Mr. Martel: We might put a page in that we would have to sign ourselves, stuff that we have covered this evening, but it would be verbiage we might have to clear up tomorrow morning, such as, "That isn't quite what we meant," or something like that. I hate to restrict myself to this sort of thing where I am boxed in and can't say, "That isn't what we meant." I don't think we are going to go at it to try to change the essence of what we have done; we might want to take out the part on the bill tomorrow, but it's there.

Mr. Williams: I am suggesting up to and including the areas of concern. I thought that was acceptable to the majority of members.

Mr. Chairman: I understand the concern, and I simply do not know how we can cope with it. I don't think a motion to, in

effect, preclude any individual or caucus from doing something different tomorrow would work. It's as simple as that. But I think you get the message pretty clearly. Nobody in this committee wants to go over things tonight. We have spent two and a half hours, and if you guys are coming in--look, it's part of the business--to get two pages in the Toronto Sun, God bless you.

Mr. Martel: The only area we have concern with was expressed by my colleague Mr. Renwick. We feel there are several conclusions. We say--and that's fair game, it's done in all the reports--there are places where we can put either as a footnote--

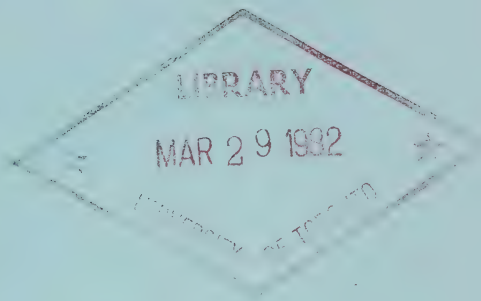
Mr. Turner: What we are saying is that the conclusions you are expressing concern about were evident before the committee started to meet. They were not a result of what we heard. We already knew them, as observations perhaps.

Mr. Chairman: Is there anything further before the committee?

The committee adjourned at 10:38 p.m.

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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

INTERIM REPORT

WEDNESDAY, DECEMBER 10, 1980

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)

VICE-CHAIRMAN: O'Neil, H. (Quinte L)

Cooke, D. (Windsor-Riverside NDP)

Cureatz, S. (Durham East PC)

Mackenzie, R. (Hamilton East NDP)

Mancini, R. (Essex South L)

Ramsay, R.H. (Sault Ste. Marie PC)

Taylor, G. (Simcoe Centre PC)

Turner, J. (Peterborough PC)

Van Horne, R. (London North L)

Williams, J. (Oriole PC)

Substitution:

Martel, E. W. (Sudbury East NDP) for Mr. Cooke

Also taking part:

Kerrio, V. (Niagara Falls L)

Clerk: White, G.

Researchers:

Eichmanis, J.

Fletcher, M.

Jennings, R.F.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

WEDNESDAY, DECEMBER 10, 1980

The committee met at 10:19 a.m. in room 151.

INTERIM REPORT

Mr. Chairman: I will call the meeting to order. To refresh everyone's memory, I think we made good progress last night. I think we have a good shot fairly early this morning perhaps of finishing up the report and getting it tabled. We have another question. It may pose a bit of a problem as to whether we are going to have an opportunity to speak to the interim report when it is upstairs, if that, in fact, is today or after the printing; it may not be tabled until tomorrow. But Elie and the other House leaders are aware of our request as a committee to speak to the interim report. I think that is a matter we will just have to stand down until we have heard from the House leaders on it. It looks to me like the chance to speak on it is pretty remote at this stage.

Mr. Martel: I have been trying to get two reports in, Mr. Chairman. There is some reluctance in some quarters to even speak to any of the reports that are now sitting on the Notice Paper. I believe there are at least six. I am prepared to come back and spend every day next week doing a report a day. I am afraid I am alone on that. But I am trying to get two reports done tomorrow night, Hydro and procedural affairs on the committee system, but I am not sure if we will get any.

Mr. Chairman: I say this to you, Mr. Martel, in your capacity as one of the three House leaders: I am not insensitive to your timetabling problem, but I tell you in all candour, I think the nature of this report does put it in a class separate and apart from the other reports you are talking about. I feel fairly strongly about that. If for no other reason it is because we have a clear stated obligation at the very beginning of 1981 to carry on with our work. Having failed to at least apprise our colleagues in the assembly as to what part of this exercise has been about, as to what we have done and what we are about to do, it differs from the other reports in that matter. I think you should share with your two colleagues, the House leaders, the uniqueness of the interim report of this particular committee. Really, I think that is a valid difference there.

Mr. Martel: Would you have each of your caucuses go and talk to your House leader then?

Mr. Turner: Who is he?

Mr. Martel: Yours is a fellow by the name of Wells. That of the Liberals, I think his name is Nixon, I am not sure. Maybe you fellows could talk to your House leaders to prevail upon them.

Mr. Chairman: Mr. Renwick, on this point.

Mr. Renwick: Mr. Chairman, I would just like to support you on that. I would certainly urge the House leaders to--even if it is only a question of setting aside one hour and allocating 20 minutes to one speaker from each of the parties that have been on the committee, to speak to it, or some such thing as that. I think it absolutely essential that there be a record in Hansard that this committee has met, has worked hard, has filed an interim report and is carrying on, because I think it is important that the information be seen to be publicly available. I would support you 1,000 per cent on that.

Mr. Chairman: Let us talk to our respective House leaders then and try to urge that upon them.

I do think if we carried straight on from where we were last night, we were rapidly approaching a consensus on this interim report. The other matter before the committee today and the only other matter, an important one, is to direct our attention to the list of possible or prospective groups, individuals and witnesses for the early part of the year. That is an important part of today's work. But let us go back--if I can make this suggestion--to the last two pages of our interim report under the heading "The Way Ahead."

I will tell you why. There was a question, from my point of view and from the staff's point of view, with regard to that second paragraph. The question frankly was whether to delete the whole of that second paragraph or whether there would be--

Interjection.

Mr. Chairman: Yes. Actually there was some discussion about whether one sentence might suffice. But you remember the discussion that the second paragraph did tend to lead us into the big picture, which we wanted to avoid. Mr. Martel.

Mr. Martel: On that point, I still like the starkness of the second sentence, which I think is basic to everything we are doing, "Rationalization decisions have often led to the closing down of Canadian plants because other larger plants outside Canada could serve the Canadian market by increasing production." I think that is totally right on.

Mr. Turner: It is only one factor.

Mr. Martel: Yes, it is only one factor, but that is in fact what the decision--I would like to see it there for its starkness. It states the key problem. I am not saying why they do it, John, I am just saying that is the reality of life. Why they do it is discussed in the whole body of the report. That makes it stand out, that they rationalize for any number of reasons--we could list 10, but for any number of reasons. What I would just like to see is the starkness of it. That is what is occurring. They rationalize, they add on to the expansion in the United States or in Sweden, and we see our plants close down.

Now the reasons--

Mr. Turner: Yes, but so do others. I think that is the point.

Mr. Martel: So do others what?

Mr. Turner: Plants other than those located in Canada are also closed.

Mr. Chairman: Which the first sentence speaks to. We are going to take all, some or none of this paragraph. I can see it now. Mr. Mackenzie?

Mr. Mackenzie: Mr Chairman, I would like to make another observation. Most of you have copies and the wording is not necessarily exact, but I think in "The Way Ahead" the points my colleague Jim Renwick was making last night could be served and could strengthen this report as well, if the short three-paragraph sheet that some of you have around--

Mr. Chairman: Bob, could we just make sure that everybody has it before we speak to it?

Mr. Mackenzie: Does everybody have a copy of that at the moment? I think it might serve to replace a couple of the paragraphs. I have not worked that out totally, but if those three paragraphs were added to "The Way Ahead," it clearly is exactly what we found from the hearings we had. As you can see, it is clear from the cases studied by the committee that the decision to close has been a company monopoly. The decision is not only a head office decision, but, in branch plants, one which is made with little input from Canadian management. It is equally clear in these cases that the unions representing the workers have had no influence in terms of the closure decision. The union's role was reduced to that of trying to negotiate the best possible settlement after the fact. Those are conclusions that, at least from the cases we have had, have been fairly clear. I think these conclusions clearly indicate questions which must now be addressed by the committee. What role does government take in the decision-making process prior to plant closures and what additional protection can be offered workers and the communities affected if a closure must proceed? I think if those paragraphs were added to "The Way Ahead," we would not have too much difficulty in this party in supporting it.

Mr. Turner: Mr. Chairman, just speaking to that for a moment, who has objections and what are the objections to that second paragraph?

Mr. Chairman: Mr. Renwick, I think, first spoke against that second paragraph, "The Way Ahead," paragraph two.

Mr. G. Taylor: I believe the paragraph was so very general that you read it in every newspaper.

10:30 a.m.

Mr. Renwick: Yes, it seems to me the work of the committee has been related to aiding in ascertaining what role government plays and, second, these plant closures. I think that regardless of extrapolating general economic principles about the world or what causes this, that or the other thing, we should "stick to our last." That is an old shoemaking term.

Mr. G. Taylor: I recognize the term.

Mr. Renwick: We should stick to our purposes collectively and together as to tentative, interim, preliminary, however you want to designate them, conclusions from the work we have done. It seems to me this has no ideological content at all. I cannot understand why all of us, as members of the committee, cannot accept these very clear statements and then lead in to "The Way Ahead." Then we do not need to talk about generalized propositions in regard to the recessionary growths, low growths, economic conditions, and so on, of recent years. I think those are gross generalizations. They may be correct but they have nothing to do with us. All we are trying to do is to answer these questions. If we get lost in the big world, in the universe, we can never answer anything. I think our experience with these cases points directly to this. I would like to see "The Way Ahead" sharpened very much more, and that kind of stuff left out of it. That is what I am getting at.

Mr. G. Taylor: In discussion with my colleagues, I do not think that paragraph is anything more than probably a summary of some of the content already in the cases we have studied. It is an addition. You can label it a surplus and a generalization as Mr. Renwick said. It does not offend us to have it removed from the contents of "The Way Ahead."

Mr. Kerrio: It would appear to me, if I may make a suggestion, that we are taking a great deal of time for something that in my book is not objectionable at all. It is a reality that exists and we are dealing with it in the second part of that second paragraph. We are agreed that all that is in order. It seems like the first sentence is objectionable, "The recessionary or low growth economic conditions of recent years have led to a large overcapacity for many companies." I do not find that objectionable.

Mr. Renwick: I am not going to argue about some general economic proposition about the state of the universe.

Mr. Kerrio: You can argue with that clause in here that says it is equally clear in these cases that union representatives and workers had no influence in terms of closure decisions. We could argue with every sentence. I would like to take that one out. I say we leave this one in.

Mr. O'Neil: There is an agreement among all parties to leave it in. Now I think we are discussing what Mr. Renwick would like to have added. What about these three things Mr. Renwick has suggested?

Mr. Chairman: In the interests of time there is simply no question about it. We can take any part of the report and spend an inordinate amount of time on it.

Mr. O'Neil: I do not think we see any problem with those three things Mr. Renwick has put in there. I think they should be added.

Mr. Renwick: We were talking last night about them and we have discussed these. Mr. Mackenzie put this in front of us this morning.

Mr. O'Neil: Let me ask this: Do you propose to put in a dissenting report in addition to our report if these go in?

Mr. Mackenzie: If they go in, if we can reach any agreement, in the balance we are happy with it.

Mr. Chairman: Mr. Ramsay is next and then you, Mr. Turner. Then I would like the staff to be able to give the feedback they have heard on this. I think there is a feeling of more direction on this matter now.

Mr. Ramsay: Perhaps this is nitpicking, but on the first two paragraphs I see nothing wrong. In the third paragraph I think there are a couple of minor changes that perhaps Mr. Mackenzie would agree to. In the second sentence where it says: "What role does government play?" could we put, "Should government take a role in the decision-making process prior to plant closures, and should additional protection be offered workers in the communities affected if a closure must proceed?" In other words, I feel the way it is worded at the present time it is stating that additional protection has to be offered. We have not come to that conclusion as yet.

Mr. Chairman: Mr. Turner, do you wish to comment on that? Is it on the same point?

Mr. Turner: No.

Mr. Chairman: Is everyone agreed on Mr. Ramsay's point?

Mr. Ramsay: I will just repeat that. In the second sentence, third paragraph, I am suggesting, "Should government take a role in the decision-making process prior to plant closures, and should additional protection be offered workers in the communities affected if the closure must proceed?"

Mr. Mackenzie: You are saying, following the sentence, "These conclusions clearly indicate questions which must now be addressed by the committee."--"Should government take a role"?

Mr. Ramsay: Yes.

Mr. Mackenzie: I prefer it to be stronger. My observation is that we have no alternative but to play a role. I think I would be willing to accept "should."

Mr. Kerrio: Then you do not take any position at all.

Mr. Chairman: Okay, Mr. Turner. I would like very much to get Rick's reaction in response to these comments.

Mr. Turner: Mine is rather small; it might be nitpicking. Quite obviously, nobody else has objected to it, so I would be prepared--it's just the use of a word. It is in the first sentence in the first paragraph, "It is clear from the cases studied by the committee that the decision to close has been a company monopoly." I wonder about the use of the word "monopoly," because it brings into my mind a completely different connotation than what is meant here. It should be an exclusive decision, perhaps, or a decision without participation, or whatever.

Mr. Mackenzie: They have had the whole say in the decision.

Mr. Turner: I am not disagreeing with that, Bob. It is just the word itself.

Mr. Martel: In one word you say everything.

Mr. Turner: Yes, you do.

Mr. Martel: They have made all the decisions regardless of the rest of the world. It was their decision. Nobody else had any input.

Mr. Turner: As I say, it does have a different connotation in the minds of different people, myself included.

Mr. Chairman: Do I hear a suggestion then?

Mr. Mackenzie: I personally would stick with the word "monopoly" on that. I think you have to be stark in that situation. Nobody disagrees with that.

Mr. Turner: That is what I was wondering about. It is not the starkness of it. I guess I saw it as something misleading perhaps, in my mind.

Mr. Chairman: Do you have an alternative word or phrase?

Mr. Turner: I was going to suggest it has been an exclusive decision on the part of those companies, or it has been a decision reached without any participation other than the company's, or whatever. I do not disagree with what it means or says; it is just the word itself.

Mr. Chairman: Can we listen to Rick's suggestions and then his general response to the earlier comments?

Mr. Jennings: If the word "monopoly" is considered objectionable we can put, "the decision to close has been taken solely by the company."

Mr. Renwick: When you read it you understand what it means. That is my problem about it.

Mr. Turner: Not necessarily, with all respect. That is the problem.

Mr. Mackenzie: I think it can be fixed up in the report but it sure as hell has not been sent to the barricade yet, so I do not think you have that much worry. You have to trigger what the problem is.

Mr. Turner: We all know what the problem is. I do not think we are disagreeing with it.

Mr. Martel: Newspapers pick up anything, my friend. They are going to say it triggered it. It says it all in one word. You don't have to rationalize. That is specifically what is happening in one word.

Mr. Turner: Not necessarily.

Mr. Kerrio: If you are going to be a hit man, John, you have to stick by your guns.

Mr. Turner: So to speak. About the consensus, I just wanted to bring it to people's attention.

Mr. Chairman: In the interests of time then, Rick, would you respond to the earlier comments with regard to the specific three paragraphs?

Mr. Jennings: I think the three paragraphs, if they are added right after the first paragraph of "The Way Ahead"--

Mr. Mackenzie: That was my impression. I have not discussed that with my colleagues, but I would have them follow the first paragraph.

Mr. Jennings: There may be a little bit that has been covered later on that is included in this. You can leave it up to us. We may change a bit of what follows.

10:40 a.m.

Mr. Mackenzie: That is why I said it. It may replace some or part of the following paragraphs. I have no objection to that.

Mr. Renwick: I agree with the location of it, but I think when you do that you have to put a specific heading on those two paragraphs, that is the first paragraph and these three paragraphs, and then drop "The Way Ahead" to the next part of it. In other words you have to say "Preliminary Conclusions," or whatever you want to call them, any term to indicate there is a break. Somebody has to say, "Look, this is where they have got to at this point." This is the pause that refreshes before you take the step ahead. That is all I am saying.

Mr. Jennings: Shall we term it "Findings To Date" or do you want to say "Preliminary Observations"?

Mr. Renwick: "Preliminary Observations and Conclusions" or something like that.

Mr. Chairman: Rick certainly has a sense of what we are about. Rick, can we move away from the--

Mr. Renwick: You could, if you wanted to, put it in bold type right at the top that monopoly must be destroyed, something like that. That would catch attention!

Mr. Chairman: To some extent there is just no question about it that the staff has some clear direction. Rick, I am going to leave it with you in large part. This is going to the printer at noon, isn't it?

Can we now move ahead to a matter we did not speak to last night? Perhaps we can cut out bits at the end of the introduction.

Gentlemen, the paragraph we will now look at and discuss if it will fit at the end of the introduction--you might just flip to the first pages--remember the heading "Introduction" then "The Work of the Committee: The First Two Phases" and then on the next page there is one paragraphs which begins: "The balance of this report..." this is the paragraph we will now discuss, as I say, if it will fit following that. The staff has prepared this paragraph.

Mr. Kerrio: As has been suggested here, "The committee has not completed its consideration of the severance pay issue" but it did perceive "an urgent need" for improvement. I wanted to speak to that issue as it relates to a complete reconsideration in severance pay adjustments as part of the whole federal plan in unemployment insurance.

Has the committee discussed a possibility that we could enlarge unemployment insurance to address itself in the initial stages to a plant closure and give a more reasonable pay in keeping with the kind of money the individual is earning? If they do not get gainful employment, the extended health would then continue. Would it not be wise to consider that alternative and in the sense that it should be a participatory situation of employer-employee? Is it not time we started thinking in the time of a crunch that everybody gets together and helps pull us out of this deal? In many big industries they can pass all these things through, but I am considering smaller industry and smaller employers. It is very nice for us to sit in the Legislature and decide we are going to do a great many wondrous things if we just pass the bill on to the third party. That is always so easy to do.

I come from a section where the reality exists that you have to meet these commitments and I think it is time we looked at this in depth to the point where it is going to be meaningful and helpful and it is also going to be something that everyone participates in.

This committee can sit down and make some great determinations about how we are going to help people then pass the bill on to a third party without really looking in depth as to what we should be doing for the future. It should be tied in with a good pension plan that is movable and I think there should be an enlargement of a plan that is already in existence but does not seem to perform in particular instances where there is a plant shutdown.

We do not want to add another bureaucratic nightmare and if there is something already in place that can be streamlined to meet modern-day problems it should be considered by this committee.

Mr. Chairman: Thank you, Mr. Kerrio. Four members of the committee wish to comment on that paragraph as well: Mr. Renwick, Mr. Martel, Mr. Taylor and Mr. Mackenzie.

Mr. Renwick: Mr. Chairman, I am saying this just to focus my comment: I think Mr. Kerrio has missed the point of the reason. The guts of the reason are in the words which are in front of us, but it is not clear enough. At least the way it came through to my colleagues and myself when Mr. Mackenzie made the original proposal was that certainly we haven't completed our consideration about the severance pay issue and we haven't reached any final recommendations about it. That is fine, I have no problem with that.

I was struck, and I think my colleagues were struck, by the fact that it will be several months at least before any legislation is introduced into the assembly or any protection is available as a result of our final ruminations, consideration by the government and the enactment of law, all of which will be prospective. There is therefore a very significant gap, starting somewhere around January 1, 1981, until such time as there is a law about severance pay in its final form. We have an obligation--at least this is the point we were trying to get across in the House and elsewhere--we have an obligation to provide an interim, temporary severance pay protection for workers in the kinds of plants--that is the layoffs of 50 or more, which is that particular section of the Employment Standards Act--until such time as we make our final recommendations and the final legislation is in place. That was the purpose of it and we have been fighting ever since to get it across.

The minister has been constantly saying--and I am saying this in a nonpartisan sense--"You haven't finished your consideration of the matter." We know we have not finished our consideration of the matter, but we see an immediate gap that has to be filled now on a temporary, interim basis until final resolution of the problem of severance pay takes place. That was the guts of our purpose and that is why it has to be much more dramatically put in these few words. I am not sure how it is to be said, but we have to emphasize that it is urgent now; it is to protect workers from now until the final resolution of the question of severance pay; and it must be done immediately in order to provide that interim protection.

That is all we are saying. Otherwise we will have more and more workers who are walking out with no severance pay or severance pay negotiated at the last minute, or inadequate severance pay, and the test is very simple: It is generally conceded that if there is going to be a severance pay provision, basically the floor is one week's wages for each year of employment. Anything we did in the future could only be better. It is limited to a specific category of companies. It is not going to damage anybody and it is not going to hurt anybody, but it is going to provide dollars in the pockets of workers which are now pitifully low. That is the guts of it and I would like that kind of urgency, that kind of temporary relief, that kind of interim measure to be reflected in the wording of it, and that is all.

10:50 a.m.

Mr. Martel: Mr. Chairman, I think we have to put a comment in too--I am not sure my friends across the way will want to associate themselves, but I resent the way both the Premier and the Minister of Labour have attempted to paint this committee into a corner, that we were not waiting to hear from the umbrella groups, et cetera--they gave all the bloody reasons why. To say the least, it was condescending on their part. They attributed it primarily to the opposition parties when some of my friends across the way got their ears roasted, not publicly but certainly privately.

Mr. Turner: By whom?

Mr. Martel: I can name Grossman for one. We must indicate to them that we are not happy with what they have said. They have missed the point totally. As a committee we are not prepared to take that rebuke from them. They can object and they can refuse to bring the bill back, but I don't think they can simply say to an all-party committee that we didn't consider the matter carefully. We did. As my colleague said, we are talking about only an interim measure. I even suggested to them that we could sunset the bloody thing if need be to provide the temporary protection that we are all looking for. If you sunset the damned thing then until we get a full report and the government decides to act, at that point when it decides to act you sunset the law that is the amendment we are seeking to obtain.

Mr. O'Neil: What did he say to you?

Mr. Martel: They wanted to know how many plants were going to shut down.

Mr. Mancini: Was it just the minister--

Mr. Martel: No, it wasn't. I went down to see the Premier in his office. I got in. I think all of us have only one intention in mind with that severance pay, to protect people who might be affected until such time as there is a final report. I just think they have really been condescending to this committee

on their approach. We know we are going to listen carefully to the umbrella groups. We know this is just an interim step that could be eliminated if, as Vince says, something else comes through and we make other recommendations. You can do a number of short-term things. The only thing we were looking for was to protect anybody who might be laid off in a plant shutdown from now until whenever the government intends to act on the body of the report we are going to make as a final report.

Mr. Mancini: As long as we do our job, that is the most important thing.

Mr. Martel: The most important thing for us is to try to get a severance clause in to protect people. My friends behind you support the amendment. I suppose they feel a little uptight about what their Premier has said and their Minister of Labour. I can't speak for them, but I found it totally objectionable the way they tried to make it appear as though it were ramrodded through. The irony of it is that both the Premier and the Minister of Labour say they "support the concept of severance pay, but." Well, let them sunset it. Let them do whatever they want, as long as we protect people until the next report is in.

Mr. G. Taylor: I will try to be as brief as possible because I guess this resolution that went from this committee earlier as it met, although as Mr. Martel has said it did receive unanimous approval of the members in attendance that evening, I was not in attendance and did not support the resolution. I have grave doubts whether I would have, having heard the arguments of that evening.

I like the feature Mr. Kerrio mentions. It is taken up in "The Way Ahead" and we will be studying it in January. That is the feature of how do our present provincial laws take care of certain situations and then the federal ones. I look upon the termination and notice in lieu of termination and the financial features of those taking us up to a time period where unemployment insurance should plug in and continue on after that.

I hope we will have the unemployment insurance people here in the new year to explain their program in depth. Perhaps they will indicate where some improvements in that program may assist in plant closings, plant shutdowns and the loss of employment in that regard.

In some respects I part with the very basic philosophy of the gentlemen from the New Democratic Party in regard to the items we are dealing with. Both pensions and severance pay are somewhat taken up and historically have been involved in the free bargaining between corporations, management and labour. They have been the prerogative of the free bargaining process.

Mr. Mackenzie: You must understand that is simply not true. There is the evidence in terms of termination at least. The vast majority of workers are not organized to begin with--almost half of them in Ontario.

Mr. G. Taylor: I recognize that, but they have been a free bargaining area and they have been beefed up--particularly the pension legislation and some others--by legislation. That will probably be the route we are going. If we continue to legislate, we will take away some of those areas that have been the prerogative of the free collective bargaining arrangement. Perhaps that might be the way to go.

Mr. Martel: I suspect some would love to give that away.

Mr. G. Taylor: Mr. Mackenzie is leading me to my next point and it confirms Mr. Kerrio's. There is a great body of people out there who are totally unrepresented and thus we keep putting on legislation--not that we shouldn't--to assist, co-operate with and help out those people who are already in collective arrangements. They are obtaining some of these benefits and we keep excluding them by the numbering system we use. We say under 50 are not in this, under 200 are not in that, so we are excluding the bulk of people from any legislation we put forward.

Mr. Kerrio: If I may interrupt while you are on that point: A person is just as much out of a job if he loses his job or if a plant closes down. It does not mean a damn. He is out of a job.

Interjections.

Mr. Renwick: There are five million refugees in the world; each one of them is a refugee and therefore we should not help any of them unless we can help them all. That is a ridiculous argument. That is a typical example of a do-nothing argument. If we wait that long, we will never get it done.

Mr. Kerrio: You do not have to pound the desk.

Mr. Renwick: I certainly do, Mr. Kerrio, when I hear that nonsense.

Mr. Kerrio: You should be better equipped. You should not have to--

Mr. Renwick: I want you to understand something. I want to make a distinction in severance pay. The first element of severance pay has nothing to do with plant closures. I want you to understand that. Severance pay, when it is negotiated in a union contract, is given to the individual when he leaves the company after giving certain service to the company, and the question is, how many dollars will he get? The reason for that is that you could not, in an unorganized situation, go to court if you were an employee in a menial position in Ontario and say, "I have worked for you for 10 years." The employer gives the person two weeks' or a month's notice and if you went to court it would cost you a fortune to get the court to tell you that perhaps you should have had six weeks' pay. That is the law. That does not apply to highly qualified engineers like those at Avro who were able to fight the case and get very substantial severance pay. It is because the law is inadequate for the ordinary working man.

Unions negotiate severance not on the basis of the plants closing down but to try to get protection and some kind of reasonable walkaway pay for individuals with long-term service.

There's a second aspect and that's what we are talking about. When large plants shut down, a significant number of people go out at the same time. They are out on the street and what we are saying is in that turn-around situation, we want them to have, in addition to unemployment insurance, in addition to termination notice that's in the act, turn-around money and that's all it is.

11 a.m.

Mr. Kerrio: It sounds good.

Mr. Renwick: Certainly it sounds good. Listen, Vince, if you are a miner at Steep Rock and you have a family, and a house which has now depreciated in value to 50 per cent, and you have to go out west to get a job in the coal mines and you have a family to move and the world to readjust to that problem, if you think you can do it on \$3,500 or \$4,000, you are dreaming. Don't tell me it sounds good.

Mr. Kerrio: Unemployment insurance, properly enacted, should look after them.

Mr. Renwick: It is not in our jurisdiction to deal with unemployment insurance and I am not going to get into that trap.

Mr. Kerrio: It wasn't in our jurisdiction to deal with Eldorado and we did. That has never stopped us before.

Mr. Renwick: It is in our jurisdiction to deal with severance pay and I am simply saying either you are for severance pay, Vince, or you are against it. Now, let's get on with it.

Mr. O'Neil: I really think we are getting off the point.

Mr. Martel: We are getting down to the beauty of it.

Mr. O'Neil: We have something to do today. If you want to argue, go ahead and argue but let's get back to things and get things on the road.

Mr. Chairman: I think that's good advice. Mr. Taylor still has the floor and then Mr. Mackenzie, Mr. Turner and Mr. Mancini. Continue, Mr. Taylor, briefly but quickly with the chain.

Mr. Kerrio: There is a great deal of difference between being in the place and reading about it in a book.

Mr. G. Taylor: All of these things that I have heard Mr. Renwick mention again get down to a very philosophical approach. This is where I am sure we again part company. Severance pay, as such, as it is put out here--and we are only now discussing whether this paragraph should be in the report--is a fact which

was presented by the committee to the House, so it should be labelled in the report. Unlike what Mr. Renwick has said, I think we would categorize Avro as a wrongful dismissal compensation situation but the severance situation, as negotiated, as put forward here, becomes an indicia of ownership and property right in a job. That becomes a different philosophical approach and one that we have to study in the new year.

Is there a property interest for which one can be compensated? What areas of our society have to be compensated for that? That's what I put forward to the committee but again on this particular subject, the paragraph has to be included as part of the report even if it's just in material as we have done with some other observations. That should be in there.

Mr. Mackenzie: Mr. Chairman, I would like to see it tightened a bit because it was the immediacy of the situation that led to the debate and the arguments we had that gained the paragraph. I don't think it would be very difficult to tighten it up a little bit and I think that it has to go in now. That's a decision we obviously made and made unanimously regardless of what Mr. Taylor or others may say. Regarding the points that Vince makes about whether it's part of an overall argument with UIC, I really think that we are sidetracked if we get into UIC.

In any event, if we want to make some recommendations saying that should be broadened, then we have to make representations to the federal people on it. We can do that in January when we take a look at the overview, but right now what we are dealing with is the specific recommendation we made as a committee and how we add it to the report and whether the addition to the report that we have in front of us clearly indicates the urgency that we gave that particular motion.

Mr. Chairman: Mr. O'Neil, with respect, if I could ask Mr. Turner and then I will put you in next. Mr. Turner.

Mr. Turner: Do you want to ask a question?

Mr. O'Neil: I was just wondering where we have used the word "should" in some of the other clauses. If we had something along this line, we could say, "It has also been suggested that we should be looking at the severance pay from another angle, being Unemployment Insurance" or something like that. That way, both sides are thrown in there and we could say a decision is going to have to be made at a later date. It is something along the suggestion that Vince and Mr. Taylor have made.

Mr. Mackenzie: That did not enter into our discussion when we made this recommendation. I think the recommendation we added to the report says what we have to focus on totally. Whether we do look at what Vince has said and the rest of it, I am really not uptight about it. I think it is a red herring but I am not uptight about it.

Mr. Chairman: This may help a little bit. Mr. Kerrio's point, which had been made before, has been considered, of

course. In January we will have representation from the federal authorities in that area. It is not an issue that we are avoiding, far from it, I think we are anxious to get at it. I think the question is whether, in fact, it fits in this particular paragraph at this particular time.

Mr. Kerrio: I would be satisfied to drop it if we just made it a recommendation that we would consider it in the next series of discussions.

Mr. Chairman: That is, in fact, what will happen.

Mr. O'Neil: Do you want that in writing somewhere in this preliminary report?

Mr. Kerrio: I would like to include it if we could.

Mr. Chairman: I know what you are saying. Let Mr. Turner speak, and while he is speaking, fool around with some words here with the assistance of Rick.

Mr. Williams: It is another area of concern.

Mr. Turner: It is an area of concern.

Mr. Kerrio: A recommendation was made (Inaudible) and make application to the (Inaudible) about broadening it.

Mr. Turner: Mr. Chairman, I am going to be repetitious to some degree. I do have a very strong reservation. I am wondering in my own mind, and I am sure others are too because it has been raised, if in trying to address a problem we, in fact, are creating a worse problem.

I am concerned again, as I have said before, about the effect this will have on small businesses. You can talk in terms of 50 employees, 100 employees or whatever. There are a lot of small or medium-sized businesses which are having a very tough time surviving. I am concerned that something like this being added on to the cost--and let us face it, it is a cost of doing business--is going to trigger a reaction or decision that may or may not have to be made later down the line.

Mr. Mackenzie: Excuse me, John, the decision was already made. It has be to incorporated into the report.

Mr. Turner: No, I am arguing with it. I do have reservations. As Mr. Kerrio and Mr. Taylor have pointed out, I think we are all aware of the problem. It is a question of how to address it.

Mr. Mackenzie: Maybe when we get into further discussions on it somebody can us tell us what percentage of payroll it is going to cost them. In the meantime, all I am saying is we are dealing with the recommendation we have made.

Mr. Turner: I do not think there is any argument about that. I think we are all agreed that there is a need and a problem and the problem should be addressed. It is a question of how to go about addressing that.

As I have said before, the large corporations, the large unions do not have any problem. They can look after themselves, but we are concerned with a very large number of people, both employees and employers, who are finding it extremely difficult.

Mr. Martel: Can I ask a question, John?

Mr. Turner: Yes.

Mr. Martel: Large unions can look after themselves but I wanted to ask the question, how?

Mr. Turner: Through the negotiating-bargaining process. They always have.

Mr. Martel: Many unions do not have severance pay--

Mr. Turner: No, I am not addressing that particular issue. I am just making a very broad statement that there are a lot of people who do not enjoy the benefits of being organized, working under the blanket protection of a union contract or the protection, whatever it may be, of working for a large corporation. That is all I am saying.

Mr. Kerrio: And they are well funded, John, let us face the facts. You are damn right. That is one of the big tools they fight with.

Mr. Turner: My concern is for the vast majority of people who do not have any protection of any kind. I have a very personal reservation about the survival of those people, whether they are employees or employers. I am wondering if what we are doing is going to trigger a decision-making process that may or may not have to be made further down the line, but will make it more immediate to make a decision now.

11:10 a.m.

Mr. Mackenzie: That is an argument that is raised every time we look at the minimum wage, and it would be a hell of a lot less than increasing the minimum wage, I can tell you.

Mr. Turner: I suppose it is, but unless you have had practical experience in these matters it is very difficult for you to understand the implications of it. That is all I am saying. I think we are dealing with things about which a lot of people do not have particular personal knowledge. I like to think I do. Having been through the mill, I can see certain danger signs triggering in my mind that create reservations. All I would ask is that very serious consideration be given to the effect of such a recommendation.

Mr. Mancini: I take it there is objection to the wording as has been prepared by staff to the issue of severance pay and how it will appear in the report. If that is the case, why don't we ask the staff to redraft another paragraph? I believe it is almost done. Since we have had that extensive debate on--

Mr. Chairman: There have been a couple of redrafts going on.

Mr. Martel: About these drafts, we rewrote something.

Mr. Chairman: We have it. There are a couple of things. Let the people speak to this. There are two or three more on the list.

Mr. Martel: I was only trying to answer Mr. Mancini, who wanted to hear the re-draft.

Mr. Chairman: Perhaps this is the proper time to do that. Can we ask the staff to prepare it? Do you want to hear it first?

Mr. Cureatz: No.

Mr. Chairman: You want to speak and then hear it?

Mr. Cureatz: Right.

Mr. Mancini: If we had had this debate in the House, we would not be having this debate here now.

Mr. Cureatz: I have just got the word I am to be brief. I am slipping in from the general government committee, which I am chairing, and I am getting caught up on what has happened this morning from last night.

Here it comes, Vince, are you ready for this? We are debating an issue that I remember very well since I had a part to play in it. Needless to say, there was great interest in the part I and a colleague of mine played in it. What was your name? John Turner.

Let me say and let the record show that I was in favour of bringing this resolution from the committee to the House because, as I said then and as I say now, the intent was to have a continual dialogue and discussion about the matter. As I said in the committee then, this specific recommendation might not be the final ultimate solution, but certainly it is an area of concern to me. It was of such concern that I felt it should have some kind of prominent exposure so we could have dialogue on this.

I am ready to accept the wording as it is.

Mr. Chairman: Okay, fine. We will hear the update. Let us do that now. Mr. O'Neil, do you wish to speak or do you want to hear it first?

Mr. O'Neil: Is there agreement that they are going to accept what is there?

Mr. Chairman: I think there is a clear understanding that at least the tone of the paragraph is going to be accepted.

Mr. O'Neil: The only other thing I was going to suggest was something Elie had mentioned, and that is to put something in there at least on a temporary basis until the problem is solved.

Mr. Chairman: Let us hear the words.

Mr. Kerrio: I have one question before you start wording that, Mr. Chairman. Has any consideration been given to companies that might be borderline financially to meet this obligation?

Mr. Chairman: No.

Mr. Kerrio: That is great with companies that are making big bucks and I buy all that. You can take from them, squeeze them all you want and do the things we like to do. Is there consideration given to a company that is borderline? We will be talking about a substantial amount of money.

Mr. Chairman: No.

Mr. Mackenzie: That is not part of our discussion or our concern.

Mr. Kerrio: It is not part of your discussion, but it is part of mine.

Mr. Mackenzie: Isn't that part of our concern and discussion that is going to come up in January?

Mr. Kerrio: I am very concerned about that particular issue and I do not know whether we should not address ourselves to it.

Mr. Martel: We already voted on the God-damned thing.

Mr. O'Neil: Mr. Chairman, I think this will be covered when the members ask that we do something up with staff. Maybe the staff could read in--

Mr. Chairman: Let us do this, I think we can proceed here fairly. Let Mr. Jennings first speak to the addition that touches on the federal unemployment matter. Let us hear that and then we are going to ask Mr. White to read the revised severance pay paragraph.

Mr. Jennings: After the paragraph, which was the fourth paragraph of "The Way Ahead," addition of "How could other government programs or negotiated benefits already in place, such as unemployment insurance or supplementary unemployment benefits, help to allay these costs?"

Mr. Chairman: This is carried, good. Then let us ask Mr. White and then Mr. Renwick is next on the list to speak to the changes on the severance paragraph.

Mr. White: Mr. Chairman, the revised wording would be: "Finally, the committee has not completed its consideration of the severance pay issue. The committee perceived an urgent need to provide at least temporary protection to workers laid off before this committee has reported and before more comprehensive legislation is enacted. The committee, therefore, recommends to the House that Bill 191, An Act to amend the Employment Standards Act, now before the assembly, be immediately amended to require minimum severance pay of one week's wages for each year of employment for all layoffs of 50 or more workers."

Mr. Chairman: Is there any discussion on that?

Mr. Kerrio: As I said before, that is a good point but I just put it on the record that when you have to pay 17 per cent or 18 per cent interest to borrow money to meet payrolls, it is quite an obligation. I want to be certain that somewhere along the line, if not at this juncture but in future debates, we are going to talk about the ability of people to meet the obligations.

Mr. Chairman: Gentlemen, I want to be very clear that the paragraph amended and just read by the Mr. White is going to be, subject to further discussion, included as part of our report at the appropriate place that we mentioned at the outset--the last part of the introduction. Is everybody clear on that?

Mr. Cureatz: A question for clarification about what was just read: It was my understanding from the committee that the recommendation was to amend the Employment Standards Act because we were not clear as to whether we wanted this severance pay recommendation to affect those plants that have fewer than 50 employees. Hence, the Employment Standards Act would bring in that cutoff. Is that correct? That is how I understand it.

Mr. Mackenzie: That is correct.

Mr. O'Neil: I think it was general concern of members from every party here, just as Vince and Mr. Renwick, a week or two ago, expressed their concern that some of these things could put very serious hardships on some of the smaller companies or businesses in the province of Ontario.

Mr. Williams: I just want to be certain that I am correct on the understanding, Mr. Chairman.

Mr. Chairman: I just asked the Mr. White to get copies of this updated for each of us.

Mr. Williams: Does this proposed provision that is being considered for inclusion in the report deal with one of the recommendations or amendments that was proposed in the House on Bill 191?

Interjection: Yes.

Mr. Williams: I thought there were two or three amendments that the minister addressed, but not this one.

Mr. Renwick: On a point of order, I could clarify that for Mr. Williams. This committee has already reported that recommendation and it was the subject matter of the debate in the assembly a week ago last night. That is it. All we are doing now is putting in our report what the committee has already reported.

11:20 a.m.

Mr. Williams: No, but at that time, when it was debated, the minister--

Mr. Martel: There was no debate, that section had not been moved yet. We just debated the principle of the bill, but discussed the fact that we would be trying to include severance pay in the bill when we came to the appropriate part to move the amendment.

Mr. Williams: It was my understanding that really the matter was not dealt with in the House per se. It was sent in and I do not know how as a committee we could make that recommendation if it is in conflict or the minister has not looked at it. I am just trying to get it clear.

Mr. Martel: You are missing the point. I want to try to clear it up for you though.

Two weeks ago, the committee here, in a one-sentence statement, on a temporary basis, made a report recommending that the government put severance pay into Bill 191. As we debated second reading, the minister indicated both there and in questions, that the government, although not opposed to it in principle, thought it was premature. All we are doing now is saying that, as our report that is going to be tabled, it is still the recommendation of this committee that that go forward. We are just clarifying or tightening up the language, revising the language prepared by staff, to indicate what the committee was attempting to do.

Mr. Turner: It is a confirmation--

Mr. Martel: Yes. It is just part of the report. Whether the government acts on it or not--

Mr. Ramsay: Confirmation of what--

Mr. Martel: Yes. I think Russ uses the right word. It is a confirmation of what this committee has already done, put into the House as an interim one-page report. We are just reaffirming our position by putting it in the major report which will be tabled on Thursday.

Mr. Williams: That is more consistent with what I thought the situation was. The minister in suggesting it was premature--I was not in the House when he spoke to this particular matter and I am trying to determine on what basis he has suggested it was premature and whether or not we should be giving consideration to

those reasons before we decide to put this back at them even though the ministry has decided--

Mr. Mackenzie: He suggested it simply because he did not agree with it.

Mr. Williams: --in its assessment of the problem whether there are good reasons for it being considered to be premature. I do not think we can ignore what was said or what views the minister had on the matter.

Mr. Chairman: Can I ask everybody--we have the paragraph as amended before us--to just look at it again? It would seem from this vantage point there was a consensus.

Mr. O'Neil: Let us get it read, Mr. Chairman, and get it over with.

Mr. Chairman: Mr. Renwick wishes to speak to the matter.

Mr. Renwick: I am complete with it, subject to two very minor comments. The second sentence which says, "The committee perceived," I would like it to say, "The committee, however, perceived an urgent need to provide," then the technical matter is that it is Bill 191, "An Act to amend the Employment Standards Act, 1974, now before the assembly, be immediately amended to require"--those two changes I think.

Mr. Chairman: This is an important paragraph. Any further comments on it?

Mr. Cureatz: Mr. Chairman, that is just what was reported by the committee?

Mr. Mackenzie: It is much more accurate than the original paragraph, and that is exactly what we did.

Mr. Chairman: I think it would be appropriate if we had a motion to that effect.

Mr. Renwick: I so move, Mr. Chairman.

Mr. Williams: Is it the rewritten one being considered?

Mr. Renwick: Yes, it should say that.

Mr. Chairman: We will take it as a motion by Mr. Renwick that this paragraph as amended before us be included in the introductory part of our report. All those in favour?

Motion agreed to.

Mr. Chairman: It has been requested that we have a show of hands again. This is regarding the paragraph as amended dealing with the issue of severance as discussed in this committee before, and its inclusion in the introductory part of our report.

Mr. Williams: I have to ask a question, Mr. Chairman. Is the Employment Standards Act being dealt with in the House this week?

Mr. Renwick: The House leader calls the business of the House, not us.

Interjections.

Mr. Chairman: Gentlemen, order. The answer to your question, Mr. Williams, is I simply do not know.

All those in favour of the amendment to this paragraph please indicate? The amendment is agreed to unanimously.

I am going to ask the committee's indulgence to break the order of business here for a moment because there is a time problem that might surface this afternoon.

About 10 days ago in the committee there was a request by both Mr. R. F. Johnston and Jim Renwick that we again request the attendance of the Minister of Industry and Tourism (Mr. Grossman) specifically to speak to a couple of fuzzy areas in the ministry's dealings with SKF when they were first contacted, et cetera. I am not sure exactly when, but a few days ago the Minister of Industry and Tourism indicated to us his availability at four o'clock this afternoon. I will tell you quite candidly, and Mr. O'Neil properly raises the question, that we might have a shot at finishing up here by 12:30.

Mr. Renwick: Mr. Chairman, I spoke to Mr. Johnston. If it is not convenient or not possible for him to work it in that way, he is prepared to let the matter go.

Mr. O'Neil: I think we should have him later on in January after we have talked to a lot of these other companies. I cannot see any reason to have him now.

Mr. Chairman: Is that the committee's wish to let Mr. Grossman know? Agreed. Thank you for that.

Mr. O'Neil: We will be ready for him in January.

Mr. Chairman: We have this amended paragraph agreed to unanimously again. You guys are terrific.

Mr. Renwick: It is a great tribute to the chairman.

Mr. Chairman: It is a tribute all right.

Mr. Renwick: It is a certain magic you have.

Mr. O'Neil: What is the next section we are going to deal with?

Mr. Chairman: That is right. That is my question.

Mr. O'Neil: Is it "Case Studies"? Are there any changes in that?

Mr. Chairman: I guess that is where we are. We are at the whole question of the case studies. There was no reference to Outboard Marine. That is one small thing.

Mr. Renwick: That is in there.

Mr. Chairman: It is now added? I do not want to be picky, but the reason for Heintzman's shutdown was bankruptcy. They are in receivership.

Mr. Turner: I think they spelled it out very clearly. Everybody understands what that is.

Mr. Renwick: But they were, were they?

Mr. Turner: I do not know, Jim, honestly.

Mr. Renwick: Then receivership is best.

Mr. O'Neil: At the end of the companies' histories, actually those things such as employee adjustment, severance pay, those are actually just clarification on those matters. There is nothing in there that is controversial is there, such as giving a definition of manpower adjustment committees? There is nothing there.

Mr. Renwick: I do not think so.

Mr. Kerrio: I would like to make a comment about Outboard Marine when my time comes.

Mr. Chairman: Your time has come.

Mr. Kerrio: Okay.

Mr. Turner: Will you put me on the list, Mr. Chairman, please?

Mr. Kerrio: Outboard Marine Corporation of Canada made the first product that was built and sold cheaper than in the United States. It was the Lawn Boy lawnmower. It was a real breakthrough in the North American industry that Canada could set up an assembly line, could build a product and market it cheaper.

11:30 a.m.

If we look into the whole function of that company, can we get information as to why those things get turned around? We are here with an area where we have led the research, we have produced a product where we were extremely competitive and what happens? Or is that more properly addressed to the minister when he comes in January?

Mr. Chairman: We have pursued that to some extent.

Mr. Kerrio: It was pretty significant.

Mr. Turner: That's the point I wanted--

Mr. Kerrio: It was damned significant in fact at that time.

Mr. Chairman: Vince, that's an observation.

Mr. Martel: John is going to protect you.

Mr. Turner: I am not going to protect anyone.

Mr. Kerrio: I am easy. You can put it anywhere you want.

Mr. Chairman: But you want to speak to it by way of a specific suggestion.

Mr. Kerrio: The suggestion I have is would the minister, when we address him, speak to those kind of issues, because I think it is one of the very important issues as to how we can be competitive and keep our plants open. It is all great to address ourselves to closing the plants down. I am more anxious to see how we are going to address ourselves to keeping the plants open. Even though we may be restricted in our mandate, I would like to enlarge on that aspect.

Mr. Chairman: Let's take that as a recommendation that is noted for the new year.

Mr. O'Neil: I think the point he makes is an excellent one to include in this looking-ahead page. In other words, we should also be looking at how we can keep plants open rather than dealing with them once they close.

Mr. Kerrio: It may be a profit-sharing business. I know the unions are against that but I put that forward for whatever it is worth.

Mr. G. Taylor: The unions are not against profit sharing, surely?

Mr. Kerrio: I have lots of ideas how we are going to make this thing--

Mr. Chairman: You are a big-picture man, I can tell that, Vince.

An hon. member: He is a successful businessman.

Mr. Kerrio: I can keep it going. In spite of these NDP members, I think I can keep it going.

Mr. G. Taylor: Vince, you had better watch yourself because I notice Elie Martel had a recommendation down here saying that where a company is profitable or can be made profitable, the government should take it over completely.

Mr. Kerrio: No, no. I won't go that far. I don't want the government to run it.

Mr. Martel: It would be better than taking over Minaki Lodge. You want to take over something that is losing money? If I am going to take over something, I want a little profit.

Mr. Chairman: We are making such progress that the levy has affected everybody, but the fact is we are not complete. To make some order out of this, on the matter of the case studies which constitute the bulk of the report, let me just simply ask the question, are there any changes that any member of the committee would like to speak to in order that the staff can, in the very little time they have, make those changes? Mr. Taylor.

Mr. G. Taylor: On page 15, the very last sentence. There was a disputed argument--

Mr. Turner: Mr. Chairman, will you put me back on the list again?

Mr. Chairman: I am very sorry.

Mr. Turner: Taylor and Turner are very similar names.

Mr. Chairman: I beg your pardon.

Mr. Turner: Go ahead.

Mr. G. Taylor: We have been mistaken before, Mr. Chairman, so don't feel slighted that he brought it to your attention. There is an estimated 20,000 unemployed--I think the figure was controversial between different people that appeared before as to whether it was 20,000. I believe it was Mr. Cooke or Mr. Mancini who was discussing the accuracy of the figure.

Mr. Chairman: Rick, any comment on that?

Mr. Jennings: Do you think that sentence should just be taken out?

Mr. G. Taylor: Either taken out or, rather than using the figure, use a generic that there are many unemployed. I just don't want people all of a sudden to jump on us and say it is not 20,000, because this is our figure, or it is 30,000, when there was some discussion as to the accuracy of the figure. It would appear that we have come to the conclusion, sifting through the evidence that is brought before us, and I didn't think we had arrived at that very precise conclusion.

Mr. Turner: The only observation I would make, Mr. Chairman, and I don't know whether it would be misleading to others out in the real world or not, but the case studies are headed off in each case with "Reason for Shutdown" and I would humbly submit that there were a variety of reasons rather than a single reason. I don't know whether the staff have the time to deal more specifically with that or not. If they haven't, fine, but I just wanted to register that observation.

Mr. Jennings: That was an attempt to summarize things.

Mr. Turner: Yes, I realize that, but it may be somewhat misleading, inasmuch as it would appear as if you zeroed in on one.

Mr. Jennings: Yes. They are certainly clarified later on.

Mr. Turner: I realize that. It is just an observation.

Mr. Eichmanis: Are you suggesting that those be deleted?

Mr. Turner: No. It has to be there, something has to be there. I am just saying it may be misleading to have a single reason when we know, obviously, there is a rather complex problem.

Mr. Kerrio: You are getting back to the original question of monopoly, when it may have been the company's ability only to close the plant. There may have been other reasons.

Mr. Turner: There are, obviously. Some of it triggered by government.

Mr. G. Taylor: We had raised this yesterday, Mr. Chairman, It is taken up in the body and we had come to--might we put a modifier on that, precise or concise, or the main reason for shutdown?

Mr. Chairman: I know the problem. I am just afraid the solution is going to be argumentative. Yet, in truth, nobody on the committee would like to see it so oversimplified. Just like in Armstrong, for example, there were in fact a host of reasons. I am not trying to be argumentative because there is ample testimony to show that the union and other--

Mr. Turner: Maybe we could say something to the effect of, among other problems or along with other problems.

Mr. Jennings: If we were to say something like the main reason?

Mr. Turner: I am not sure it is the main reason. That is my reservation.

Mr. G. Taylor: If you were using Armstrong, for example, they said, "Hey, we've got 50 per cent overcapacity and no market."

Mr. Kerrio: It is a hell of a hurdle to get over, isn't it?

Mr. G. Taylor: Yes, but we have got in here, "alternative investments."

Mr. Renwick: That is what he said. I questioned him exactly about it and he said that was exactly the reason, he was not prepared to recommend to the US parent company board an

investment of \$20 million in the Canadian operation in order that it could increase its share of the market, because if it did increase its share of the market from 4.5 per cent to something like 13 to 14 per cent, it would not make the rate of return which the US parent required, namely, 10 per cent of that, assuming what he gave.

Mr. Turner: Assuming that they could pick up that share of the market.

Mr. Renwick: That is exactly the reason he gave.

Mr. Turner: Exactly, but he had no way of knowing whether, after having spent that amount of money, they would increase their share of it.

Mr. Renwick: That is what he said. He wouldn't make it because he could not persuade them to make an investment in Canada.

Mr. Turner: For good and valid reasons.

Mr. O'Neil: We could discuss this thing for an hour. It would appear to me the way it is there is the best way we can do it, even though we might like to change it.

Mr. Chairman: You see, it is a legitimate problem. There is no question we could spend the full day.

Mr. O'Neil: Why don't we move on?

Mr. Martel: The one that bothers me the most in "Reason for Shutdown" is Steep Rock.

Mr. Mackenzie: I don't think that is totally accurate.

Mr. Martel: "The operation was closed because economically minable reserves had been exhausted." I would like to put, "according to the company."

The other part of it I think has to be improved is, "Investment in a nearby mine was rejected because long-term contracts are unavailable" due to the fact the steel industry had entered into--

Mr. Chairman: Which is what the body says. I know what you are getting at.

Mr. Martel: No, but you see, that is misleading, because the investment in a nearby mine was rejected because the steel industry had decided to purchase mines in the United States.

Mr. Chairman: You see where we are, Elie, but does it not make some sense, without picking groups here because nothing shows you guys are really like-minded on fundamental issues, but some people did give a little on Armstrong. Your point is well made, but damn it, we could go through each one in some detail when we do that.

Mr. Renwick: Put quotation marks around "economically minable reserves."

Mr. Mackenzie: That was a one-sided position. I agree we could get into an argument on almost every one of them, but my only point there is, that is only accurate to 50 per cent of the hearing that we had before us.

Mr. Chairman: Fair enough. I can't speak for the whole committee but if we did, Elie, if we added "according to the company," would that make you happy?

11:40 a.m.

Mr. Martel: Yes.

Mr. Chairman: In the first part at least, I do not think there will be any problem with that, but the second part, Elie, just gets to be too unwieldy. Any other comments?

Mr. O'Neil: Are you finished?

Mr. Chairman: No, we are still talking about the words surrounding the examples, in any particular order.

Mr. O'Neil: You are still going over the case studies. I have a point when you are finished with the case studies.

Mr. Chairman: Any other comments or questions on the case study summaries?

Mr. G. Taylor: When we finish the case studies, are we going into the Employment Standards Act and Bill 191, or is that still firm and pensions are still firm?

Mr. Chairman: No, that is where we are going next.

Mr. G. Taylor: I will wait then.

Mr. Chairman: Are there any more comments, changes, deletions, what have you, on the case studies? If not, Mr. O'Neil.

Mr. O'Neil: I have one other concern, and that is part of the submission that reads: "Submissions to the Royal Commission on Pensions." Those are submissions that were made but they were not made by us and if we include them it may look as if they are coming from us. I wonder whether that should be either headed differently as a title or even removed from the report?

Mr. Chairman: Rick, can you speak to that.

Mr. Jennings: We can do that. We can either retitle it or make it clearer in some way that they were not our submissions. This is just a summary of some of the submissions that have been made to that royal commission, highlighting the recommendations

made in them. It is partly for the members' perusal as far as any recommendations we may come up with later.

Mr. O'Neil: I think it is good information, but again I do not think it should appear they have come from us.

Mr. Chairman: Could we put a heading like: "Your committee makes the following notation for the perusal of members of the assembly"? Mr. Renwick.

Mr. Renwick: I am looking at the page entitled "Pension Plan Terminations Arising From Plant Shutdowns." I think there has to be a lead-in paragraph immediately under the heading, simply saying the committee has not given consideration to pension matters in any detail, the following information has been received at the request of the committee and analysed for the committee from the Pension Commission of Ontario, or whatever it is.

For example, a sentence: "The committee has deliberately, because of the impending report of the Royal Commission on Pensions, deferred any detailed consideration of pension matters." Something like that, so that people understand the situation. This looks as though we have spent a lot of time on pensions, and we bloody well did not. That is all it is. I think that would clarify my problem.

Mr. Chairman: Could you make that notation, and the one Mr. O'Neil recommends, something regarding the royal commission?

Mr. Renwick: If I could go back the one page, to Bill 191, I think there should be a sentence in there, "The committee reviewed this legislation which was before the assembly." Then go on "...because Bill 191 attempts to eliminate some loopholes in the current Employment Standards Act..." something like that. I think that is what is needed. It seems to me there just has to be a little bit of something in there.

Hugh O'Neil's point is very clear, because at the very end everybody will have lost sight of the initial paragraph I was just talking about on the pensions matter; that business of submissions has got to be cleared up to make certain that it has nothing to do with us. We did not make any submissions to Donna Haley; that would only delay the report for another year.

Mr. G. Taylor: I just re-emphasize Mr. O'Neil's and Mr. Renwick's point. I had the same problem in reading through the submissions. If you were not reading too precisely, it would appear that we might have made them, and we have not made any.

I would just ask my colleagues as a matter of reference, because we have gone through these pensions rather quickly and I do not know whether it was raised when the pension people were before us; I look on this as a possibility and I offer it as a way ahead, possibly: Is there any company in the private sector that offers a pension plan for purchase that may have the compatibility of being purchased by many companies and being the

standard format plan? If you were negotiating with your union, you could go to Blue Cross, say, and buy this particular pension plan, which would have all the characteristics that many companies and their employees would desire, and would be portable, with vesting provisions. This would permit us, by way of legislation, to have a package such as we do in the insurance scheme, there are standard features of every insurance contract. I put that before our researchers at this stage. Could we look up something of that nature in the private sector, if there is anything?

Mr. Jennings: I think one of the main problems is that at this time there is not a standardization of plans to any extent. That is one of the problems and one of the reasons the royal commission had to be set up. That is why it is considered that legislation is needed, because there is not standardization at this time.

Mr. G. Taylor: I think it is a good direction in which to be looking for progress. It might solve a lot of the problems we face at the present time.

Mr. Jennings: Do you think a paragraph similar to that should be added in "The Way Ahead?"

Mr. G. Taylor: I do not know whether that is preguessing what Haley might come out with or what we might look to in January. If a company happened to be selling a general plan, it would solve many of our plant shutdown problems and be of some influence on any legislation that would try to pull all these features together.

Mr. Kerrio: Included in that, you might want to address yourself to this problem: In the United States there is an attachment of the company's assets to cover the unfunded liabilities of the pension fund whenever a company shuts down. Similar provisions do not exist in Ontario. We want to be sure the committee addresses itself to those problems, and the portability.

Mr. G. Taylor: As I said, I only put this in your mind. I do not think we need it in at this point, but address your mind to it in the forthcoming year.

Mr. Kerrio: We would like you to know that the other committee is addressing these problems.

Mr. Chairman: Thank you, Mr. Taylor. The staff has your point, and it is a good point. I think we have completed our work on the interim report.

Mr. Martel: There were some revisions last night. When will we get to examine them?

Mr. Renwick: We won't.

Mr. Chairman: That is a good question. The revisions were actually very carefully noted. I know you are concerned. One of the other problems we all share is to get this God-damned thing to the printer. It is 12:30. That makes life easier for everyone. Can we request 300 copies of this? I am picking a number out of the air.

Mr. Renwick: That is an excellent number. It means we can send one to everybody who appeared before us. Is that right?

Mr. Chairman: And those to come; and for each member of the House.

Mr. Renwick: Well 300 for the first run, that's fine.

Mr. Martel: What difference is there in ordering a couple of hundred extra copies? Some individuals might want them.

Mr. Chairman: Minuscule.

Mr. G. Taylor: Isn't there a flat 500 rate, usually, in printing. You start at 500?

Mr. Chairman: Actually, Graham is making a point. By the time you do the required number to the bookstore, et cetera, we could do--

Mr. Renwick: We will need 50 for the federation.

Mr. Kerrio: Actually, in the private sector if you order more the price comes down. It is not like Ontario Hydro, the more you use the more it will cost.

Mr. G. Taylor: I recognize that, but there is still a flat starting fee. If you are doing up to 1,000, it is usually the same price. Isn't 1,000 the break point?

11:50 a.m.

Mr. Chairman: No, our preoccupation was just for the House. We are going to do 1,000 subject to discussion, agreed?

Mr. G. Taylor: One last point, and Mr. Turner and I discussed it. In "The Way Ahead" the paragraph inserted by Mr. Renwick and his colleagues was to be titled "Conclusions" or "Observations". I prefer observations rather than conclusions.

Mr. Chairman: Mr. Jennings has noted "Preliminary Observations."

Mr. G. Taylor: Super.

Mr. Renwick: "Interim Conclusions and Observations." Those are conclusions.

Mr. O'Neil: Yes, but we really do not want to say we have arrived at conclusions, do we?

Mr. Renwick: God forbid.

Mr. G. Taylor: I like what Mr. Jennings had.

Mr. Kerrio: He has gone to the printer.

Mr. Chairman: Gentleman, the last matter before us today--and it is an important one--is the list of possible witnesses which Graham will distribute now. If we put our minds to it, we could complete this assignment and our committee's work for this session by 12:30.

Mr. Martel: I have a bit of a problem, Mr. Chairman. I must go and meet with a committee that is of paramount importance to your interest and that of all the members here.

Mr. Chairman: I feel I already know what you are talking about. Go ahead.

Mr. Martel: I will not be around, but I would like to be in, if only for half an hour after question period, to go over this; but I just cannot, I have to be there at 12.

Mr. Chairman: Elie, in all honesty, if you take a careful look at this in the 10 minutes you have now, look at it carefully now; honestly, I don't think it will take that much time.

What we want to do here, simply, and specifically addressing ourselves to the list, is have some direction. The staff and I would appreciate some direction as to whom you would like to have us invite?

Mr. Renwick: I am going back on the constitutional committee.

Mr. Kerrio: This isn't bad if you give them two minutes apiece.

Mr. O'Neil: Why don't we start off with the first group so we can try to get through this thing?

Mr. Mackenzie: I have only one suggestion, Mr. Chairman. I do not really disagree with what I see before us in a hurried run through the list. It seems to me we should have a little bit of leeway, a day, because we are bound to get one or two organizations that have something of some importance to say to this committee.

Mr. Chairman: I think that is a guarantee.

Mr. Mackenzie: All I am saying is there should be some flexibility in terms of a day or two.

Mr. Chairman: I do not think we can finalize our January agenda now, but the staff and I have to have a clear understanding, at least with regard to these groups, which ones you want to have come.

Mr. Kerrio: Mr. Chairman, one question: Organizations or individuals that have already made a request to be heard are indicated here by an asterisk. Why would the others be on the list? Have these others appeared before?

Mr. Jennings: No, the names were just chosen as other possibilities.

Mr. Kerrio: That is what I wondered.

Mr. Chairman: Each of the committee members has been throwing in names.

Mr. O'Neil: It is not our intention to have everybody on this list, is it?

Mr. Chairman: Oh Christ; I do not think it is in the cards.

Mr. O'Neil: There is no way we can see all these people.

Mr. Chairman: I do not think it is physically possible. We have 12 days. Do you know what it is like to do three submissions a day? If we did three a day, which I sincerely believe is pressing it beyond the point--two a day is 24.

Mr. Kerrio: Why don't we take these groups and let them talk among themselves and send representations for each group.

Mr. Renwick: No, I don't agree. Every one of them has a vested interest.

Mr. Kerrio: We just said we cannot do them all.

Mr. O'Neil: In section five, I think there are a couple of people there I would like to have our staff members contact. I think there are a couple among those seven that should be invited. I think there should be one among the federal government agencies; perhaps two there; for example, maybe the Tariff Board.

Mr. G. Taylor: How do one, two and seven sound to you? That gives us one federal, one provincial and one offshore, if one wants to label it that way.

Mr. Chairman: Just a second so we can get a feel for this. I understand Mr. Taylor's point: one, two and seven in section five.

Mr. O'Neil: Employment and Immigration, we want to hear from them don't we? There was a mention of the Tariff Board, but then as you mentioned, Jim, we would be into so many problems trying to understand there would be no way we could ever--

Mr. Renwick: I can assure you that customs tariff thing is just unbelievable.

Mr. Mancini: We should be a little more careful about the comments we make then.

Mr. O'Neil: As Remo says; then there is the Department of Employment and Immigration--

Mr. Mancini: I am serious. If that is the case, we should be more careful about the comments we make.

Mr. Renwick: No, what I am saying is not criticism of the people at the Tariff Board or anything; the customs tariff as such is so--

Mr. Mancini: We know what you said, Jim. You can't have people come before the committee--

Mr. O'Neil: Can I go back to section three? I think we do want to see the Minister of Industry and Tourism (Mr. Grossman) again, don't we?

Mr. Chairman: Mr. Mancini?

Mr. Mancini: If I may, I realize Mr. Johnston, the member for Scarborough West, has a complaint with the Minister of Industry and Tourism, but I feel that complaint can be dealt with in question period or on a point of privilege or in some other manner.

Mr. Mackenzie: We have already dropped that.

Mr. Mancini: Oh, well let's not call the Minister of Industry and Tourism back. We have already had him and he is not going to give us any more information in January than he did five weeks ago.

Mr. Chairman: Can I make a suggestion under number three? I am under the impression that each of the ministers would be available on relatively short notice. Could we agree, if that makes sense, to at least circle number five, because I believe we all expect to get that royal commission report this month?

Mr. Renwick: I have two comments only. One is--and if you need it in the form of a motion, I will put it in the form of a motion--I would request the chairman of the committee to write to the Treasurer (Mr. F.S. Miller), with a copy to the Premier (Mr. Davis) and a copy to Donna Haley, specifically asking when the royal commission on pensions will report. I have asked every month for six months.

Mr. Chairman: Jim, I did. It was one of the first requests of the committee.

Mr. Renwick: I finally found it was the Treasurer you had talked to.

Mr. Chairman: I did, I wrote the Treasurer and he said mid-December.

Mr. Renwick: He told me the other day he didn't know when it was going to be. He said possibly in January. Will you please write again?

Mr. O'Neil: Mr. Chairman.

Mr. Chairman: Mr. Renwick has a second point.

Mr. Renwick: The one which really concerns me is the group item four. It has come through very clearly and I don't know how to get a handle on it. It is not adequate for the community problems to be limited to those three or four presentations. I don't know how to get a handle on it, I am only making suggestions, but I was wondering whether or not the Ontario Association of Reeves and Mayors has any presentation they want to make about this community impact problem. Maybe that strange breed of people called the industrial development commissioners have an association of some sort that might possibly be interested. I think we do a disservice if we just leave it to a series of isolated presentations on that question.

Mr. Kerrio: That was my very point, Mr. Chairman.

Mr. Chairman: It is a good point and--

Mr. Kerrio: It is the same with the labour groups, don't they talk to each other?

Mr. Chairman: Under section eight, the Bureau of Municipal Research--I don't know who they are, but let's pursue the reeves and mayors, AMO or whatever it is called.

Mr. Renwick: Certainly the Bureau of Municipal Research, of course, is an extremely good organization. Anne Golden, who is now with the Liberal caucus, used to be the director of that.

Mr. Chairman: That is right; she is a good girl.

Mr. O'Neil: Mr. Chairman, with those additions, the one Mr. Renwick has just mentioned and a couple of others, that gives us a total of about 20 groups.

Mr. Chairman: Hold it; how did you get that again?

Mr. O'Neil: Take those ones that you have marked, plus the one that Mr. Renwick asked be added to number four; number five circled in the three section, royal commission on pensions; then you have Arrowhead and both union and management. I think that works out to about 20 briefs.

We have three days at two apiece, which is six a week, so that is 24. As Mr. Mackenzie mentioned, you have left a little bit there; and we might be able to squeeze three in in a day with some, if we had to do so.

12 noon

Mr. Mancini: Do we have to hear from Mike Breaugh?

Mr. Chairman: He has requested an opportunity to speak to the committee, and he is on the list.

Mr. Mackenzie: When do we begin to talk about the problems in terms of the Houdaille situation?

Mr. Mancini: Do we have to go through all that?

Mr. Williams: I sure would like to hear from the Canadian Organization of Small Business. They are a very important group that we should be hearing from.

Mr. Chairman: But that was the--

Mr. Williams: They already appeared?

Mr. Chairman: Yes, they did. We made the one exception as far as umbrella groups.

Mr. O'Neil: He did ask to appear back before the committee at a later date.

Mr. Chairman: He specifically asked to speak to us before the interim report and we did hear Mr. Geoffrey Hale from that organization.

Mr. Williams: They wanted to have an opportunity to make a full investigation.

Mr. Chairman: Actually, he was very much encouraged to come back.

Mr. Williams: I just thought he had been overlooked here.

Mr. Chairman: No, no. That is a good point, he is not back on the list, but he is under the impression that he is coming back. Mr. Mancini?

Mr. Mancini: I would just like to make a comment for the members of the committee. We had a meeting a couple of weeks ago when we decided amongst ourselves how many weeks we were going to sit and how many days, et cetera. I proposed a much longer sitting session than was approved by the committee at that meeting, and I would hope that the committee is going to stick with their decision, which was contrary to my recommendation. The committee strongly felt that we sit from January 6 to February 5, and I, for one, am now not prepared to sit any longer. I hope as we go through the list of names and as we decide who we should hear from and who we should not hear from, that the committee keep its original recommendation in the back of their minds.

I can see already that we are going to have a helluva hard time even getting in 24 groups. We have gone through this. It happens on every committee we sit on. We want to have all the work done in three weeks but we want to hear from the whole world and we just can't have it both ways, as Mr. Martel says all the time.

Mr. Chairman: Could we have a motion? Your point is well taken and this discussion was arrived at. Can we have a motion to confirm what we agreed at that off-the-record luncheon? This committee said--

Mr. Turner: To agree on what we have already agreed on?

Mr. Mancini: Well, one who spoke so very strongly in favour of it from my recollection could probably make that motion, because I am not going to make it.

Mr. Chairman: I think a motion to confirm what we had agreed, that we will sit from Tuesday, January 6, until Thursday, February 5, three days a week.

Mr. G. Taylor: Of which four weeks, I understand, were to be hearings and the final week to be preparation of the report.

Mr. Chairman: I take that as a motion in Mr. Taylor's name.

Mr. Mackenzie: I want to just tentatively put another name on your list under individuals, and that is Chris Jecchinis who is a professor of economics at Lakehead University, a consultant to the Ministry of Labour and is considered a bit of an expert in European legislation in terms of the approach to severance pay and so on.

Mr. Kerrio: What card does he carry?

Mr. Mackenzie: I have no idea. I just know that he has been a consultant with the Ministry of Labour and I also know his field of expertise is European legislation.

Mr. Chairman: Okay, that is noted. The staff has a pretty good handle on--

Mr. Mancini: (Inaudible)

Mr. Chairman: That is what I want to get to as to who you would like to see and it is in the order of some 20 people now. This would give us two a day with some flexibility. There is simply no question about it, there will be some phone calls between now and early January of others requesting an opportunity to come.

Mr. Mackenzie: If we have to work on more than two a day, it is difficult, Mr. Chairman.

Mr. Turner: I have had two phone calls right now, but anyway, that is a good point. I think what we should do if we can, Mr. Chairman, is somehow work out a schedule with a strict time limit.

Mr. Chairman: God, yes. Mr. Renwick and Mr. Williams?

Mr. Renwick: That is precisely the point I want to make, only I want to make it in a little different way. I think that

you, Mr. Chairman, should write to each of the organizations explaining the tightness of the schedule, simply saying, "You have been allocated one hour" or 45 minutes or whatever it is "and we trust that you will be able to make your presentation effectively within that time," or something like that, so you have a good handle for cutting them off if they start to run over, without appearing to be rude.

Mr. Turner: You usually have a lot of people waiting.

Mr. Renwick: There are all sort of reasons but I think they should be told in advance.

Mr. O'Neil: What time do we usually sit? What hours?

Mr. Chairman: Ten o'clock to 12:30 p.m.; 2 o'clock to 4 o'clock.

Mr. Mackenzie: Mr. Chairman, one additional suggestion. Where we already have requests for groups to be heard before us--I do not think we can be totally tight on this--that we make a request once we start scheduling them that they give us the brief in advance. They do not have to read the whole brief.

Mr. Chairman: Yes. Just two clarifications on my part here. Is two to four acceptable?

Mr. Renwick: It is too short; two to four-thirty.

Mr. Chairman: Two to four-thirty? Agreed. I want to make sure I am hearing Mr. Renwick correctly. I understand, we got the message about the letters and the tightness of the time; that will be done. But are we going to aim for two per day or two per sitting?

Mr. Renwick: I think we have to do more than two per day.

Mr. Turner: Two in the morning, two in the afternoon.

Mr. Chairman: Okay, we are going to shoot for four divisions of each day.

Mr. Turner: We could do that quite easily.

Mr. O'Neil: We will get things done in two weeks and we will be out of here at the end of the third week.

Mr. Turner: I doubt that.

Mr. Ramsay: We have to discipline ourselves.

Mr. Kerrio: Amen.

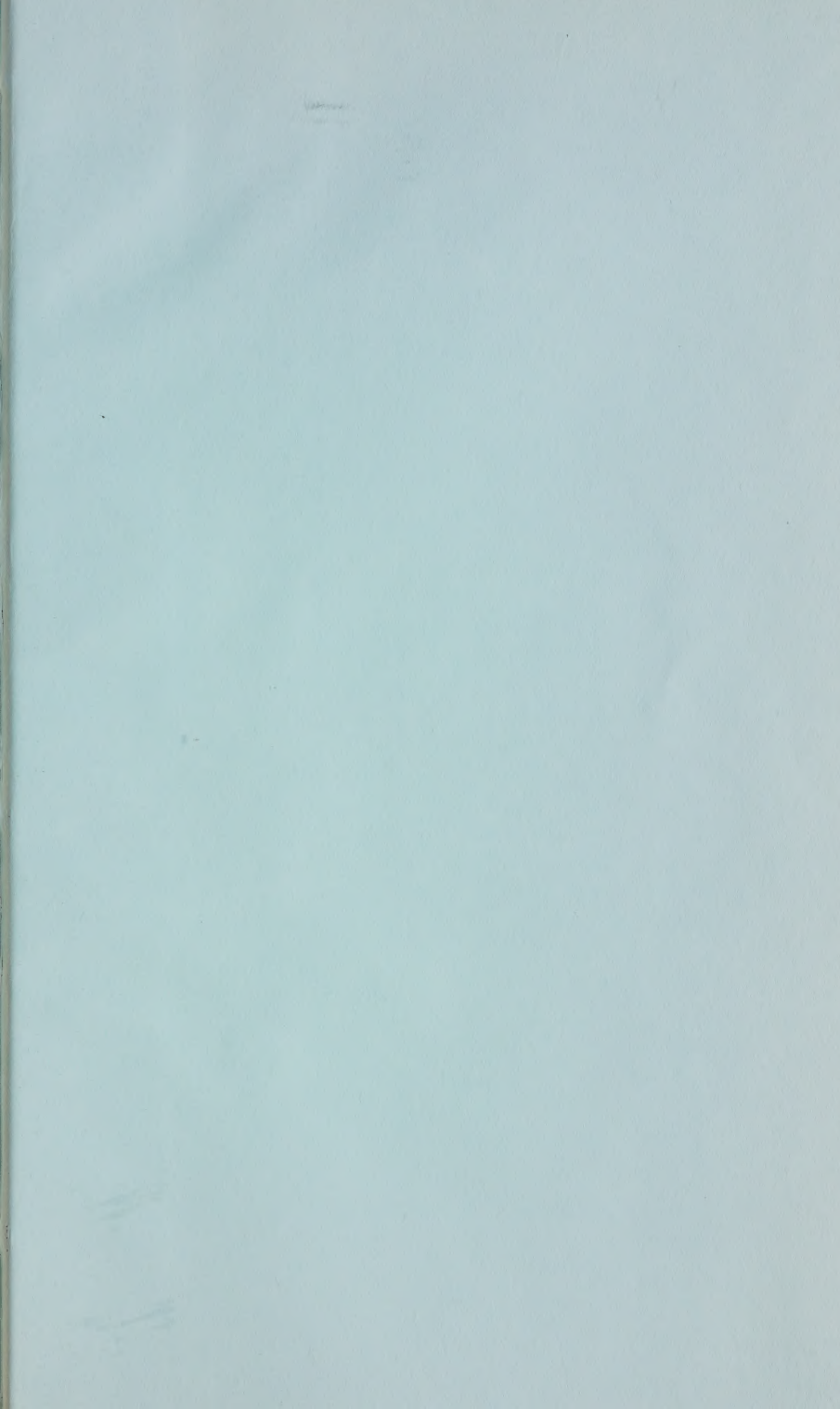
Mr. G. Taylor: I was going to carry on Mr. Mackenzie's position even further. He has asked for the briefs to be submitted in advance where they are written briefs. I would also ask that some of these that are not on our list and do not get on

our list might be allowed to submit a written brief, although they might not get to come before us giving testimony in vocal form.

Mr. Chairman: Any other business? Just so it is clear, we are going to get the report into the assembly tomorrow. Whether we have an opportunity to speak to that interim report will be decided by the House leaders.

Mr. Mackenzie: But the parties are going to talk to their House leaders, I gather, because I agree with the point you made and that Mr. Renwick underlined, that we should try to get an hour for this report in.

The committee adjourned at 12:08 p.m.





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